

In the opinion of Co-Bond Counsel, based on existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 1998 Bonds (i) is not includable in gross income for federal income tax purposes, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations, however such interest will be includable in adjusted current earnings used to calculate the federal alternative minimum tax on corporations, and (iii) is not includable in Missouri taxable income for purposes of the income tax imposed by the State of Missouri. See "TAX EXEMPTION" herein.

REFUNDING ISSUE—BOOK-ENTRY ONLY

\$69,260,000

THE CITY OF ST. LOUIS, MISSOURI
Airport Revenue Refunding Bonds, Series 1998
Lambert-St. Louis International Airport

Dated: December 1, 1998

Due: July 1, as shown on inside cover

The Airport Revenue Refunding Bonds, Series 1998, Lambert-St. Louis International Airport (the "Series 1998 Bonds") are being issued by The City of St. Louis, Missouri, a constitutional charter city and political subdivision of the State of Missouri, under and pursuant to the Indenture. The proceeds of the Series 1998 Bonds, together with other available funds, will be used to (i) redeem, retire, refund and defease \$66,815,000 principal amount (the "Refunded 1992 Bonds") of the \$99,385,000 outstanding principal amount of the City's Airport Revenue Refunding and Improvement Bonds, Series 1992 (the "Series 1992 Bonds"), and (ii) pay the costs of issuance of the Series 1998 Bonds. The Series 1998 Bonds will be secured on a parity basis with the City's outstanding airport revenue bonds and additional bonds under the Indenture as more fully described herein.

The Series 1998 Bonds are limited obligations of the City, payable solely from certain Revenues derived by the City from the operation of the Lambert-St. Louis International Airport (the "Airport") and certain other funds pledged under the Indenture, subject to the application thereof in accordance with the Indenture and to the prior lien on such Revenues in favor of certain prior revenue bonds issued by the City, as described herein. The Series 1998 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory limitation or provision and the taxing power of the City is not pledged to the payment of the Series 1998 Bonds, either as to principal, premium (if any) or interest. See "SECURITY FOR THE BONDS" herein.

Payment, when due, of the principal of and interest on the Series 1998 Bonds will be guaranteed by a municipal bond insurance policy to be issued concurrently with the issuance of the Series 1998 Bonds by Financial Guaranty Insurance Company. See "Bond Insurance" herein.

FGIC. Financial Guaranty Insurance Company

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

Interest on the Series 1998 Bonds is payable on January 1 and July 1 of each year, commencing July 1, 1999, until maturity or prior redemption. The Series 1998 Bonds are initially issuable only as fully registered bonds registered in the name of Cede & Co., the nominee of The Depository Trust Company pursuant to the Book-Entry-Only system described herein. Beneficial ownership may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Series 1998 Bonds will be made to the purchasers. Principal of, premium, if any, and interest on the Series 1998 Bonds will be payable at the principal corporate trust office of UMB Bank of St. Louis, N.A., St. Louis, Missouri, as Trustee. See "THE SERIES 1998 BONDS—Book Entry System" herein. The Series 1998 Bonds will be subject to optional redemption prior to maturity as described herein.

See the inside cover page for maturities, principal amounts, interest rates and yields.

This cover page contains information for reference only. It is not a complete summary of the Series 1998 Bonds. Investors must read the entire Official Statement, including the cover page and appendices hereto, to obtain information essential to making an informed investment decision. Capitalized terms used on this cover page have the meanings provided herein.

The Series 1998 Bonds are offered when, as and if issued and received by the Underwriters and subject to prior sale, withdrawal or modification of the offer without notice and the approval of legality of the Series 1998 Bonds by Whitman Breed Abbott & Morgan LLP, New York, New York and Armstrong, Teasdale, Schlafly & Davis, St. Louis, Missouri, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the office of the City Counselor and by Hopkins & Sutter, Chicago, Illinois, Special Counsel, and for the Underwriters by their co-counsel, Caldwell, Hughes & Singleton, St. Louis, Missouri, and Gallop, Johnson & Neuman, L.C., St. Louis, Missouri. It is expected that the Series 1998 Bonds will be available for delivery to DTC in New York, New York, on or about December 17, 1998.

PaineWebber Incorporated

Artemis Capital Group, Inc.

Dain Rauscher, Inc.

Jackson Securities Incorporated

Salomon Smith Barney

George K. Baum & Company

Loop Capital Markets, LLC

The date of this Official Statement is December 10, 1998.

Maturities, Principal Amounts, Interest Rates And Prices or Yields

\$69,260,000

THE CITY OF ST. LOUIS, MISSOURI
Airport Revenue Refunding Bonds, Series 1998
Lambert-St. Louis International Airport

<u>Maturity</u> <u>July 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>Maturity</u> <u>July 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>
2000	\$ 315,000	3.4%	3.45%	2008	\$ 5,145,000	5 1/8%	4.17%
2001	325,000	4	3.625	2009	5,410,000	5 1/8	4.28
2002	340,000	4	3.72	2010	5,690,000	5 1/8	4.375
2003	350,000	4	3.82	2011	5,980,000	5 1/8	4.46
2004	4,310,000	5	3.90	2012	6,295,000	5 1/8	4.55
2005	4,530,000	5	3.95	2013	6,610,000	5 1/8	4.65
2006	4,760,000	4	4.00	2014	6,945,000	5 1/8	4.73
2007	4,950,000	4	4.05	2015	7,305,000	5 1/8	4.80

(Accrued interest to be added)

**THE CITY OF ST. LOUIS, MISSOURI
AIRPORT REVENUE REFUNDING BONDS, SERIES 1998
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**

THE CITY OF ST. LOUIS

ELECTED OFFICIALS

Clarence Harmon, Mayor
Darlene Green, Comptroller
Francis G. Slay, President of the Board of Aldermen
Larry Williams, Treasurer

BOARD OF ALDERMEN

Parrie L. May
Nancy Weber
Freeman Bosley, Sr.
Miguel Mitchell
April Ford-Griffin
Marit Clark
Phyllis Young
Stephen J. Conway
Michael McMillan

Craig Schmid
Matt Villa
Fred Heitert
Alfred J. Wessels, Jr.
Stephen Gregali
Margaret Vining
James F. Shrewsbury
Joseph D. Roddy
Terry Kennedy

Sharon Tyus
Bennice Jones-King
Kenneth Jones
James Sondermann
Robert Ruggeri
Paul Michael Beckerle
Irving C. Clay, Jr.
Gregory J. Carter
Lyda Krewson

BOARD OF ESTIMATE AND APPORTIONMENT

Clarence Harmon, Mayor
Darlene Green, Comptroller
Francis G. Slay, President of the Board of Aldermen

CITY AIRPORT COMMISSION

Col. Leonard L. Griggs, Jr., Chairman

Darlene Green
Francis G. Slay
Kenneth A. Behlmann
James H. Buford
Stacy M. Edwards
Todd H. Epsten
William J. Esterline

Clifton W. Gates
Lee M. Liberman
Robert Ruggeri
Elmer E. Smith
Wayman F. Smith, III
David S. Weber
Robert A. Young

FINANCIAL ADVISORS

Siebert Brandford Shank & Co., LLC
Detroit, Michigan

P.G. Corbin & Company, Inc.
Philadelphia, Pennsylvania

INDEPENDENT PUBLIC ACCOUNTANTS

KPMG Peat Marwick LLP
St. Louis, Missouri

AIRPORT CONSULTANT

Unison Consulting Group, Inc.
Chicago, Illinois

No dealer, broker, salesman or other person has been authorized by the City, the Airport or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 1998 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City, the Airport, the Underwriters and other sources which are deemed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Airport or the Underwriters. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City or the Airport since the date hereof (or since the date of any information included herein that is dated other than the date hereof).

THE SERIES 1998 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE SERIES 1998 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF ANY STATES IN WHICH THE SERIES 1998 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 1998 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE SERIES 1998 BONDS.

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OFFICIAL STATEMENT

Relating to

\$69,260,000

THE CITY OF ST. LOUIS, MISSOURI
Airport Revenue Refunding Bonds, Series 1998
Lambert-St. Louis International Airport

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto (this "Official Statement"), is to furnish information with respect to the issuance of \$69,260,000 aggregate principal amount of Airport Revenue Refunding Bonds, Series 1998, Lambert-St. Louis International Airport (the "Series 1998 Bonds") of The City of St. Louis, Missouri, a constitutional charter city and political subdivision of the State of Missouri (the "City"). The Series 1998 Bonds are being issued on a parity with the City's Outstanding \$99,385,000 Airport Revenue Improvement and Refunding Bonds, Series 1992, Lambert-St. Louis International Airport (the "Series 1992 Bonds") a portion of which is to be refunded with proceeds of the Series 1998 Bonds and the City's Outstanding: (i) \$80,440,000 Taxable Airport Revenue Refunding Bonds, Series 1993, Lambert-St. Louis International Airport, (ii) \$44,775,000 Taxable Airport Revenue Bonds, Series 1993A, Lambert-St. Louis International Airport; (iii) \$31,580,000 Airport Revenue Refunding Bonds, Series 1996, Lambert-St. Louis International Airport; and (iv) \$199,605,000 Airport Revenue Bonds, Series 1997, Lambert-St. Louis International Airport (collectively the "Outstanding Bonds" and, together with any Additional Bonds (as herein defined) issued on a parity therewith are collectively referred to in this Official Statement as the "Bonds"). The proceeds of the Series 1998 Bonds, together with other available funds, will be used to: (i) redeem, retire, refund and defease \$66,815,000 aggregate principal amount of the \$99,385,000 principal amount of Series 1992 Bonds currently outstanding (the "Refunded 1992 Bonds"), and (ii) pay the costs of issuance of the Series 1998 Bonds. See "PLAN OF REFUNDING" herein. Unless otherwise defined herein, certain capitalized words and terms used in this Official Statement have the meanings ascribed to them in APPENDIX A - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES" hereto.

Purpose of this Official Statement

The purpose of this Official Statement is to set forth summary information in connection with the offering of the Series 1998 Bonds of the City. Investors must read the entire Official Statement, including the cover page and appendices hereto to obtain information essential to making an informed investment decision.

The City

The City is a constitutional charter city and political subdivision of the State of Missouri. The City is authorized to: (i) issue the Series 1998 Bonds and to use the proceeds thereof, among other things, to redeem, retire, refund and defease the Refunded 1992 Bonds; and (ii) pledge Revenues (as defined below) sufficient for the payment of the Series 1998 Bonds and the interest thereon. For further information about the City, see APPENDIX B - "INFORMATION CONCERNING THE CITY OF ST. LOUIS, MISSOURI" hereto.

The Airport

Lambert-St. Louis International Airport (the "Airport") is owned by the City and operated by the Airport Authority of the City (the "Airport Authority"). The Airport Authority was created by ordinance of the Board of Aldermen of the City and consists of the City Airport Commission (the "Commission"), the Airport Authority's Chief Executive Officer (the "Director of Airports") and other managers and personnel required to operate the Airport. The Commission consists of the Director of Airports, who serves as Chairman of the Commission, the Comptroller of the City, the President of the Board of Aldermen, the Chairman of the Transportation and Commerce Committee of the Board of Aldermen, six members appointed by the Mayor of the City and five members appointed by the County Executive of St. Louis County. The Commission is responsible for the planning, development, management and operation of the Airport. The Airport is the primary airport serving the St. Louis metropolitan area. According to data reported by the Airports Council International, the Airport was ranked as the ninth busiest airport in operations in the nation and the tenth busiest in the world for 1997. Trans World Airlines, Inc. ("TWA") operates a major connecting hub at the Airport. See "THE AIRPORT" herein.

The Series 1998 Bonds

The Series 1998 Bonds are issued under authority of Article VI, Section 27 of the Missouri Constitution, and pursuant to Section 108.140 of the Revised Statutes of Missouri, 1994, as amended, and an ordinance adopted by the Board of Aldermen and approved by the Mayor on December 1, 1998. The Indenture of Trust dated as of October 15, 1984 (the "Original Indenture") between the City and UMB Bank of St. Louis, N.A. (as successor to State Street Bank & Trust Company of Missouri, N.A., as successor to Mercantile Bank of St. Louis National Association, formerly known as Mercantile Trust Company National Association, St. Louis, Missouri), as Trustee (the "Trustee"), was amended and supplemented by the First Supplemental Indenture of Trust dated as of July 1, 1987 between the City and the Trustee (the "First Supplemental Indenture"), the Second Supplemental Indenture of Trust dated as of November 15, 1992, between the City and the Trustee (the "Second Supplemental Indenture"), the Third Supplemental Indenture of Trust dated as of August 1, 1993 between the City and the Trustee (the "Third Supplemental Indenture"), the Fourth Supplemental Indenture of Trust dated as of November 1, 1993 between the City and the Trustee (the "Fourth Supplemental Indenture"), the Fifth Supplemental Indenture of Trust dated as of April 1, 1996 between the City and the Trustee (the "Fifth Supplemental Indenture") and the Sixth Supplemental Indenture of Trust dated as of August 1, 1997 between the City and the Trustee (the "Sixth Supplemental Indenture") (collectively, the "Prior Supplemental Indentures"), and was further amended and restated by the Amended and Restated Indenture of Trust, dated as of September 10, 1997 (together with the Prior Supplemental Indentures, the "Restated Indenture"), which superseded the Original Indenture. The Series 1998 Bonds are being issued pursuant to the Restated Indenture as further supplemented by the Seventh Supplemental Indenture of Trust, dated as of December 1, 1998 (collectively, the "Indenture").

Purpose of the Series 1998 Bonds

The Series 1998 Bonds are being issued to, together with other available funds, (i) redeem, retire, refund and defease the Refunded 1992 Bonds, and (ii) pay the costs of issuance of the Series 1998 Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Security for the Series 1998 Bonds

The Series 1998 Bonds are limited obligations of the City, payable solely from the Revenues (as herein defined) derived by the City from the operation of the Airport and certain other funds pledged under the Indenture, all as more fully described under the caption **"SECURITY FOR THE BONDS"** herein. The Series 1998 Bonds are entitled to the benefits of a lien on the Revenues on a parity with the Outstanding Bonds and any Additional Bonds (as herein defined) issued on a parity therewith, subject to the application thereof in accordance with the Indenture and to the prior lien on such Revenues in favor of certain revenue bonds issued by the City prior to 1984 (the "Outstanding Obligations"). See **"SECURITY FOR THE BONDS - Escrow Account for the Outstanding Obligations"** and **"SECURITY FOR THE BONDS - Parity Bonds and Additional Bonds"** herein.

THE SERIES 1998 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION AND THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE SERIES 1998 BONDS, EITHER AS TO PRINCIPAL, PREMIUM (IF ANY) OR INTEREST.

Upon the occurrence of certain events set forth in the Indenture, including the default in the payment of principal of, premium, if any, and interest on the Series 1998 Bonds, the Trustee may, and upon the written request of 25% of the Bondholders the Trustee is required to, declare the principal of the Bonds and all accrued and unpaid interest to be due and payable. There is no provision for acceleration of the maturity of the Series 1998 bonds if interest on the Series 1998 Bonds becomes included in the gross income of the owners thereof for federal income tax purposes.

Bond Insurance

Payment, when due, of scheduled principal of and interest on the Series 1998 Bonds is guaranteed by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company ("Financial Guaranty" or the "Bond Insurer"). See **"BOND INSURANCE"** herein and **APPENDIX D - "FORM OF BOND INSURANCE POLICY"** hereto.

Definitions and Document Summaries

This Official Statement contains summary descriptions of, among other things, the Indenture, the Series 1998 Bonds, the City, the Airport, the Use Agreements (as defined below), the Cargo Leases (as defined below), certain TWA agreements and the Continuing Disclosure Agreement. All references herein to the Indenture, the Use Agreements, the Cargo Leases, certain TWA agreements and the Continuing Disclosure Agreement and any other documents are qualified in their entirety by reference to such documents and all references herein to the Series 1998 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. The Indenture and the Continuing Disclosure Agreement are available for inspection at the offices of the Trustee and all other documents referenced above are available for inspection at the offices of the Airport.

Factors Affecting Airline Activity and Airport Operations

Certain risks are associated with the Airport's ability to generate sufficient Revenues for the payment of principal of, premium, if any, and interest on the Series 1998 Bonds. Revenues depend, in large part, upon the level of aviation activity generated by the airline users of the Airport. Revenues generated from airline contractual obligations are dependent mainly upon the payments to the City made

by the Airport's air carriers, particularly, the Airport's primary air carrier, TWA, or such other air carriers as may occupy in the future some or all of the facilities currently occupied by TWA. For more information, see "THE AIRLINE INDUSTRY" herein.

Tax Matters

For a discussion of certain income tax consequences relating to the ownership of the Series 1998 Bonds, see "TAX EXEMPTION" herein.

SECURITY FOR THE BONDS

Pledge of Revenues

The Bonds are limited obligations of the City, payable solely from and secured by a pledge of (i) the Revenues, subject to the application thereof for the payment of Operation and Maintenance Expenses in accordance with the Indenture; and (ii) the funds held or set aside under the Indenture; subject, in each case, only to the prior lien on the Revenues given as security for the Outstanding Obligations. None of the properties of the Airport have been pledged or mortgaged to secure payment on the Bonds, including the Series 1998 Bonds. An escrow account has been funded by the City for the full payment of the outstanding principal, as of June 30, 1998, of \$70,760,000, interest and redemption premium, if any, on the Outstanding Obligations. See "SECURITY FOR THE BONDS -- Escrow Account for the Outstanding Obligations" herein. Of the various funds created under the Indenture, only the Bond Fund (including the Debt Service Account and the Debt Service Reserve Account created under the Indenture) will be held by the Trustee; the other funds created by the Indenture will be held directly by the City, subject to the City's covenants regarding the use and application of such funds in accordance with the provisions of the Indenture.

The Indenture defines *Revenues* as follows:

"*Revenues*" means all revenues collected by the City relating to, from or with respect to its possession, management, supervision, operation and control of the Airport, including all rates, charges, landing fees, rentals, use charges, concession revenues, revenues from the sale of services, supplies or other commodities, any investment income realized from the investment of amounts in the Revenue Fund, and any other amounts deposited into the Revenue Fund. Revenues do not include: (a) any revenue or income from any Special Facilities, except ground rentals therefor or any payments made to the City in lieu of such ground rentals and the revenue or income from Special Facilities which are not pledged to the payment of Special Facilities Indebtedness; (b) any moneys received as grants, appropriations or gifts from the United States of America, the State of Missouri or other sources, the use of which is limited by the grantor or donor to the planning or the construction of capital improvements, including land acquisition, for the Airport, except to the extent any such moneys shall be received as payment for the use of the Airport; (c) any Bond proceeds and other money (including investment earnings) credited to the Construction Fund for the financing of capital improvements to the Airport; (d) any interest earnings or other gain from investment of moneys or securities in any escrow or similar account pledged to the payment of any obligations therein specified in connection with the issuance of Refunding Bonds or the defeasance of any Series of Bonds in accordance with Section 1301 of the Indenture; (e) any consideration received by the City upon transfer of the Airport pursuant to Section 809(E) of the Indenture; (f) interest income on, and any profit realized from, the investment of moneys in (i) the Construction Fund or any other construction fund funded from proceeds of bonds or (ii) the Debt Service Account or the Debt Service Reserve Account if and to the extent there is any deficiency therein; (g) any passenger facility charge or similar charge levied by or on behalf of the Airport against passengers or cargo, including any

income or earnings thereon, unless and to the extent all or a portion thereof are designated as Revenues by the City in a Supplemental Indenture; (h) insurance proceeds which are not deemed to be Revenues in accordance with generally accepted accounting principles (other than proceeds that provide for lost revenue to the Airport for business interruption or business loss); (i) the proceeds of any condemnation or eminent domain award; (j) the proceeds of any sale of land, buildings or equipment; (k) any money received by or for the account of the Airport from the levy of taxes upon any property in the City; and (l) amounts payable to the City under an Interest Rate Exchange Agreement unless and to the extent designated as Revenues by the City in a Supplemental Indenture.

The definition of Revenues excludes passenger facility charges ("Passenger Facility Charges" or "PFCs") or other similar charges levied by or on behalf of the Airport against passengers or cargo, except if and to the extent that all or a portion of such charges are designated as Revenues by the terms of a Supplemental Indenture. No Supplemental Indenture has included revenue from Passenger Facility Charges or similar charge in the definition of Revenues.

The Indenture defines *Operation and Maintenance Expense* as follows:

"*Operation and Maintenance Expenses*" means the City's expenses for operation, maintenance, repairs, ordinary replacement and ordinary reconstruction of the Airport, including a reasonable reserve for uncollectible Revenues, and shall include, without limitation, administrative and overhead expenses, insurance premiums, deposits for self-insurance, legal, engineering, consulting, accounting or other professional service expenses, union contributions, payments to pension, retirement, group life insurance, health and hospitalization funds, or other employee benefit funds, costs of rentals of equipment or other personal property, costs of rentals of real property, costs incurred in collecting and attempting to collect any sums due the City in connection with the operation of the Airport, and any other expenses required to be paid by the City under the provisions of ... [the] Indenture or by-laws or consistent with standard practices for airports similar to the properties and business of the Airport and applicable in the circumstances, including, without limitation, an allocable share of administrative personnel costs incurred by the City at locations other than the Airport in connection with the operations of the Airport, and the expenses, liabilities and compensation of the fiduciaries required to be paid under ... [the] Indenture, all to the extent properly attributable to the Airport. "Operation and Maintenance Expenses" does not include any capital development cost or any allowance for depreciation or any operation or maintenance costs for Special Facilities where the lessee is obligated under its Special Facilities lease to pay such expenses.

The Indenture defines *Net Revenues* as Revenues less Operation and Maintenance Expenses.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE BONDS, EITHER AS TO PRINCIPAL, PREMIUM (IF ANY) OR INTEREST.

Bond Insurance

Payment of scheduled principal of and interest on the Series 1998 Bonds will be guaranteed by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company ("Financial Guaranty" or the "Bond Insurer"). The municipal bond insurance policy will be issued concurrently with the issuance of the Series 1998 Bonds, will be noncancellable and will extend for the term of the Series 1998 Bonds. See "BOND INSURANCE" herein and APPENDIX D -- "FORM OF BOND INSURANCE POLICY" hereto.

Debt Service Reserve Account

The Indenture authorizes the establishment of a Debt Service Reserve Account which is to be held by the Trustee, is to be applied solely for the purposes specified in the Indenture and is pledged to secure the payment of the Accrued Aggregate Debt Service on the Bonds. The Indenture requires that the Debt Service Reserve Account be maintained, as of any date of calculation for the then Outstanding Bonds, unless otherwise provided in a Supplemental Indenture for a particular Series of Bonds, at an amount which shall equal the lesser of: (i) 10% of the proceeds of such Series Bonds; (ii) 125% of the average annual debt service on such Series of Bonds or (iii) the maximum annual debt service on such Series of Bonds. Pursuant to the Seventh Supplemental Indenture of Trust dated December 1, 1998, the Debt Service Reserve Requirement with respect to the Series 1998 Bonds will be \$3,728,725 from the date of delivery of the Series 1998 Bonds until July 1, 2003. On and after July 1, 2003 the Debt Service Reserve Requirement with respect to the Series 1998 Bonds will be lesser of (i) 10% of the proceeds of the Series 1998 Bonds, (ii) 125% of the average annual debt service on the Series 1998 Bonds, or (iii) the maximum annual debt service on the Series 1998 Bonds. Deposits into the Debt Service Reserve Account may be satisfied by a deposit of cash or a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution pursuant to the requirements of the Indenture.

Moneys in the Debt Service Reserve Account are to be withdrawn and deposited in the Debt Service Account whenever the amount in the Debt Service Account on the final business day of any month is less than the amount of the Accrued Aggregate Debt Service on such date. In the event amounts in the Debt Service Reserve Fund shall be less than the Debt Service Reserve Requirement, the Indenture requires that the Debt Service Reserve Account be restored to its requirement from amounts held in the Renewal and Replacement Fund, the Contingency Fund or the Development Fund and to the extent amounts held in such funds shall be insufficient, from the first available Revenues after required deposits into the Operation and Maintenance Fund and Bond Fund pursuant to the Indenture. Moneys in the Debt Service Reserve Account in excess of the requirement may be withdrawn and applied in accordance with the Indenture. See APPENDIX A -- "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES."

Rate Covenant

Under the Indenture, the City has covenanted that it will at all times while any Bonds remain outstanding, establish, fix, prescribe and collect rates, fees, rentals and other charges for the use of the Airport as will be reasonably anticipated to provide in each Airport Fiscal Year an amount so that Revenues will be sufficient to (i) pay Aggregate Debt Service for such Airport Fiscal Year, (ii) provide funds necessary to make the required deposits in and maintain the several funds and accounts established under the Indenture, and (iii) pay or discharge all indebtedness, charges and liens payable out of the Revenues under the Indenture.

Parity Bonds and Additional Bonds

Additional Bonds, equally and ratably secured under the Indenture on a parity with the City's Outstanding Bonds and the Series 1998 Bonds, may be authorized and issued by the City upon satisfaction of certain conditions for the purpose of providing funds for the extension, improvement or enlargement of the Airport (including the refunding of Subordinated Indebtedness and Special Facilities Indebtedness and the funding of funds and accounts established pursuant to the Indenture) or for the purpose of providing funds for the refunding of Bonds.

Additional Bonds (other than Refunding Bonds) may be issued only upon receipt by the Trustee of certain certificates, reports and information, including without limitation, the following:

1. A certificate of the independent accountant for the Airport stating (a) the Net Revenues of the Airport for any period of 12 consecutive months out of the 18 months preceding the delivery of such Additional Bonds and (b) the Aggregate Adjusted Debt Service for such 12-month period, and demonstrating for such 12-month period that Net Revenues equalled at least 1.25 times the Aggregate Adjusted Debt Service; and
2. A certificate of an authorized officer of the City demonstrating that, among other things, the estimated Net Revenues of the Airport for each of the three Airport Fiscal Years following the Airport Fiscal Year in which the Project or any Additional Project will be completed, will be at least equal to 1.25 times Aggregate Adjusted Debt Service for each of such three Airport Fiscal Years.

Additional Bonds issued for the purpose of refunding Bonds may be issued only upon receipt by the Trustee, of certain certificates, reports and information, including either of the following:

1. The certificates referred to above with respect to the issuance of Additional Bonds for the financing of Projects; or
2. A certificate of an authorized officer of the City setting forth (i) the Aggregate Debt Service and the Aggregate Adjusted Debt Service for the then current and each future Airport Fiscal Year to and including the Airport Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series then Outstanding (X) with respect to the Bonds of all Series Outstanding immediately prior to the date of authentication and delivery of such Refunding Bonds, and (Y) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (ii) that the Aggregate Debt Service and the Aggregate Adjusted Debt Service set forth for each Airport Fiscal Year Pursuant to (Y) above are no greater than the corresponding amounts set forth for such Airport Fiscal Year pursuant to (X) above.

For more information, see **APPENDIX A - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES"** hereto.

Deposit of Revenues and Application of Funds

The City is required to deposit all of the Revenues in the Revenue Fund maintained by the City in accordance with the provisions and requirements of the Indenture. Revenues are then allocated monthly by the City to the various funds for application to the purposes specified in the Indenture. Of the various funds created by the Indenture, only the Bond Fund (including the Debt Service Account and the Debt Service Reserve Account) will be held by the Trustee. The other funds created by the Indenture will be held by the City, subject to the City's covenants regarding the use and application of such funds in accordance with the provisions of the Indenture.

Pursuant to the provisions of the Indenture, no later than five days prior to the end of each month, the City is required to allocate amounts in the Revenue Fund to the other funds and accounts created by the Indenture in the following order of priority:

1. To the Operation and Maintenance Fund, an amount sufficient to pay the estimated Operation and Maintenance Expenses during the next month;

2. To the Bond Fund for credit to the Debt Service Account, if and to the extent required, so that the balance in the Account will equal the Accrued Aggregate Debt Service on the Bonds (adjusted to reflect capitalized interest held in the Debt Service Account);

3. To the Bond Fund for credit to the Debt Service Reserve Account, such amount, in the manner and to the extent provided in the Indenture, as may be necessary to cause the amounts deposited therein to equal the Debt Service Reserve Requirement;

4. To the Renewal and Replacement Fund, an amount equal to \$57,000; provided that no deposit will be required to be made into this Fund whenever and as long as the uncommitted moneys in this Fund are equal to or greater than \$3,500,000 or such larger amount as the City will determine as necessary for the purposes of this Fund;

5. To a subaccount in the Revenue Fund, an amount determined from time to time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport Fiscal Year, the balance in such sub-account would equal at the end of such Airport Fiscal Year the payments required to be made to the City as hereinafter described with respect to such Airport Fiscal Year; and

6. The remaining balance in the Revenue Fund will be deposited into the Development Fund.

With respect to Paragraph 5 above, an amount equal to five percent of Revenues (exclusive of investment income and nonoperating income of the Airport) is to be accumulated in a subaccount in the Revenue Fund and paid to the City's general revenue fund as soon as practical after the end of each Airport Fiscal Year. For all periods since July 1, 1996, the applicable percentage of Revenues will equal the percentage of the gross revenues required to be paid to the City by public utilities operating within the City. This amount payable to the City's general revenue fund may be paid in advance by the Airport in monthly installments so long as (i) such amount is included in the rate base utilized to determine the rates and charges payable by air carriers utilizing the Airport; and (ii) each such monthly installment will not exceed the lesser of (a) one-twelfth of eighty percent of the total amount paid to the City under the Indenture in respect of the prior Airport Fiscal Year or (b) eighty percent of the amount deposited in such month in the subaccount within the Revenue Fund pursuant to Paragraph 5 above. The final installment of the amount payable to the City in each Airport Fiscal Year is subject to the filing with the Trustee of certificates of the City that all required deposits to the Operation and Maintenance Fund, the Bond Fund and the Renewal and Replacement Fund have been made and that no Event of Default has occurred and is continuing under the Indenture. If, during any Airport Fiscal Year, the aggregate amount paid in advance to the City exceeds the amount payable to the City during such Airport Fiscal Year, the amount of such excess will be returned by the City to the Revenue Fund. Until any such excess is returned by the City to the Revenue Fund, the City will be entitled to no further payments by the Airport.

Subordinated Indebtedness and Special Facilities Indebtedness

The Indenture permits the issuance of Subordinated Indebtedness secured by a lien on the Revenues of the Airport, provided that such lien is junior and subordinate to the lien of the Bonds on the Revenues of the Airport. Prior to the incurrence of any such Subordinated Indebtedness, the City must furnish to the Trustee the independent accountant's certificate required in connection with the issuance of Additional Bonds. The principal of any such Subordinate Indebtedness will, by its terms, not be subject to acceleration upon default, unless and until the principal of the Bonds has also been accelerated.

The Indenture permits the issuance of obligations by the City or otherwise ("Special Facilities Indebtedness") for the purpose of financing capital improvements to be located on Airport property, provided that such Special Facilities Indebtedness will not be payable from Revenues. Special Facilities Indebtedness must be payable solely from rentals and other charges paid by the person, firm or corporation utilizing such Special Facilities. Prior to the issuance of the Special Facilities Indebtedness, there must be filed with the Trustee a certificate of the Airport Consultant certifying that (i) the estimated rentals, payments and other charges (including interest earnings on any reserves) to be paid with respect to the Special Facilities will be at least sufficient to pay the principal of and interest on such Special Facilities Indebtedness together with all costs of operating, maintaining and securing the Special Facilities; and (ii) the construction and operation of the Special Facilities to be financed will not decrease the Revenues presently projected to be derived from the Airport. The City is required to charge a fair and reasonable rental for land upon which any Special Facilities are to be constructed, and such ground rent will be deemed Revenues of the Airport.

There currently is no Special Facility Indebtedness outstanding. The City has no current plans to incur such indebtedness.

Escrow Account for the Outstanding Obligations

The Series 1998 Bondholders will not be entitled to a lien on monies in the Escrow Account for the Outstanding Obligations (as defined below).

The Outstanding Obligations were issued pursuant to several bond ordinances of the City (the "Outstanding Obligations Ordinances") that do not contain provisions for the defeasance of the lien on Revenues securing the Outstanding Obligations, and, therefore, the Outstanding Obligations, until paid, will be entitled to the benefits of a first lien on the Revenues of the Airport. The principal amount of the Outstanding Obligations was \$70,760,000 as of June 30, 1998.

To provide for the payment of the Outstanding Obligations, the City established an escrow account irrevocably pledged to the full payment when due of the principal of and interest on the Outstanding Obligations (the "Escrow Account for the Outstanding Obligations"), with such amounts deposited therein having been verified as sufficient to pay in full when due the principal, interest and redemption premium, if any, on the Outstanding Obligations.

Under the Indenture and pursuant to and in accordance with the Outstanding Obligations Ordinances, the City has agreed not to issue any additional obligations with a lien on the Revenues senior to the Bonds.

BOND INSURANCE

Concurrently with the issuance of the Series 1998 Bonds, Financial Guaranty Insurance Company ("Financial Guaranty" or the "Bond Insurer") will issue its Municipal Bond New Issue Insurance Policy for the Series 1998 Bonds (the "Policy"). See **APPENDIX D - "FORM OF BOND INSURANCE POLICY"** hereto. The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Series 1998 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the City. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of the Series 1998 Bonds or the Trustee of the nonpayment

of such amount by the City. The Fiscal Agent will disburse such amount due on any Series 1998 Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Series 1998 Bond includes any payment of principal or interest made to an owner of a Series 1998 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series 1998 Bonds. The Policy covers failure to pay principal of the Series 1998 Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Series 1998 Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its issuance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Series 1998 Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the City is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Series 1998 Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Series 1998 Bonds. Reference should be made to the description of the City for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of Financial Guaranty Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of September 30, 1998, the total capital and surplus of Financial Guaranty was \$1,288,640,899. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: (212) 312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: (212) 480-5187).

The information relating to the Bond Insurer contained above has been furnished by the Bond Insurer. No representation is made herein by the City, the Airport or the Underwriters as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

THE SERIES 1998 BONDS

General

The Series 1998 Bonds will be dated, mature and bear interest as set forth on the inside cover page of this Official Statement. The Series 1998 Bonds are issued as fully registered bonds in the denominations of \$5,000 or integral multiples thereof.

The principal of and redemption premium, if any, on the Series 1998 Bonds, will be payable at maturity or upon earlier redemption to the persons in whose name such Series 1998 Bonds are registered upon presentation and surrender of such Series 1998 Bonds at the principal corporate trust office of UMB Bank of St. Louis, N.A., as Trustee. Interest on the Series 1998 Bonds is payable semiannually on January 1 and July 1 of each year, commencing July 1, 1999. Registered owners of Series 1998 Bonds of a principal amount of at least \$1,000,000 may receive payments of interest by wire transfer upon written notice provided by the registered owner to the Trustee of the relevant wire instructions not later than five days prior to the Record Date for such interest payment date.

Optional Redemption Provisions

The Series 1998 Bonds maturing on and after July 1, 2009, are subject to the right of the City to redeem such Bonds prior to maturity from any source, in whole at any time, or in part on any interest payment date, of such maturity as may be selected by the City (and within a maturity as selected by lot), on and after January 1, 2009, at the respective Redemption Prices (expressed as a percentage of the principal amount of the Series 1998 Bonds or portions thereof to be redeemed), respectively, set forth below, in each case together with accrued interest to the redemption date.

<u>Redemption Period</u> <u>(both dates inclusive)</u>	<u>Redemption Price</u>
January 1, 2009 through December 31, 2009	101%
January 1, 2010 through December 31, 2010	100.5%
January 1, 2011 and thereafter	100%

Notice of Redemption

Notices of redemption will be mailed by the Trustee, postage prepaid, not less than 30 days prior to any redemption date, to the registered Bondholders of the Series 1998 Bonds that are to be redeemed. Each such notice will identify the Series 1998 Bonds to be redeemed (and, in the case of Series 1998 Bonds to be redeemed in part only, the principal amounts to be redeemed), will specify the redemption date and the redemption price, and will state that the Series 1998 Bonds to be redeemed will be payable at the principal corporate trust office of the Trustee. Notice of the redemption of any Series 1998 Bonds, except for any notice that refers to any Series 1998 Bonds that are the subject of a refunding, will be circulated only if sufficient funds have been deposited with the Trustee to pay the redemption price of the Series 1998 Bonds to be redeemed.

Book Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 1998 Bonds. The Series 1998 Bonds will be issued as fully registered Series 1998 Bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Series 1998 Bond will be issued for each maturity of the Series 1998 Bonds, each in the aggregate principal amount of such maturity of the Series 1998 Bonds and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 1998 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 1998 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 1998 Bond (the "Beneficial Owner") is, in turn, to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 1998 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Series 1998 Bonds, except in the event that use of the book-entry system for the Series 1998 Bonds.

To facilitate subsequent transfers, all Series 1998 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the Series 1998 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 1998 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 1998 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Beneficial Owners of the Series 1998 Bonds or those possessing interests in the Series 1998 Bonds will not receive or have the right to receive physical delivery of such Series 1998 Bonds, and will not be or be considered to be owners thereof under the Indenture. So long as Cede & Co. is the registered owner of the Series 1998 Bonds, as nominee of DTC, references herein to the owners, holders or registered owners of the Series 1998 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners thereof.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 1998 Bonds. Under its usual procedure, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 1998 Bonds are credited on the record date (identified in a listing attesting to the Omnibus Proxy).

Principal of and interest payments on the Series 1998 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe that it will not receive payment on the payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 1998 Bonds at any time by giving reasonable notice to the City and the Trustee. Under such circumstances, the Trustee may make arrangements with a successor securities depository that operates upon reasonable and customary terms. If no such arrangements are made, Series 1998 Bonds are required to be delivered as described in the Indenture. The Beneficial Owner, upon registration of the Series 1998 Bonds held in the Beneficial Owner's name, shall become the owner thereof under the Indenture.

The City may determine to discontinue the system of book-entry transfers through DTC (or a successor securities depository). In such event, the Series 1998 Bonds are to be delivered as described in the Indenture and the Trustee is entitled to rely on information provided by DTC and the Participants as to the names and principal amounts in which the Series 1998 Bonds are to be registered.

The City and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments on the Series 1998 Bonds made to DTC or its nominee, as the registered owner, or any notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC and the Participants, or any successor depository, will serve and act in a manner described in this Official Statement.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS.

ANY REFERENCES IN THIS OFFICIAL STATEMENT TO NOTICES THAT ARE TO BE GIVEN TO OWNERS BY THE TRUSTEE WILL BE GIVEN ONLY TO DTC. DTC WILL BE EXPECTED TO FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICE TO THE PARTICIPANTS BY ITS USUAL PROCEDURES SO THAT SUCH PARTICIPANTS MAY FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICES TO THE BENEFICIAL

OWNERS. THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ASSURE THAT ANY SUCH NOTICE IS FORWARDED BY DTC TO THE PARTICIPANTS OR BY ANY PARTICIPANT TO THE BENEFICIAL OWNER. ANY FAILURE BY DTC TO ADVISE ANY PARTICIPANT, OR BY ANY PARTICIPANT TO NOTIFY THE BENEFICIAL OWNER, OF ANY SUCH NOTICE AND ITS CONTENT OR EFFECT SHALL NOT AFFECT THE VALIDITY OF ANY ACTION PREMISED ON SUCH NOTICE.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY, THE TRUSTEE AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT THE CITY, THE TRUSTEE AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF, AND NEITHER THE PARTICIPANTS NOR THE BENEFICIAL OWNERS SHOULD RELY ON THE FOREGOING INFORMATION WITH RESPECT TO SUCH MATTERS, BUT SHOULD INSTEAD CONFIRM THE SAME WITH DTC OR THE PARTICIPANTS, AS THE CASE MAY BE.

DTC Year 2000 Efforts. DTC management is aware that some computer applications and systems for processing data ("Systems") that are dependent upon calendar dates, including dates before, on and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that DTC has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and interest payments) to securityholders, book-entry deliveries and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform DTC Services properly is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (1) impress upon them the importance of such services being Year 2000 compliant; and (2) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

PLAN OF REFUNDING

The Series 1998 Bonds are being issued to provide funds, together with other available funds, to (i) redeem, retire, refund and defease the Refunded 1992 Bonds, (ii) pay the costs of issuance of the Series 1998 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "SECURITY FOR THE BONDS" herein.

Upon the deposit of certain of the proceeds of the Series 1998 Bonds and other available funds into the Escrow Account (i) the principal of and interest on the Refunded 1992 Bonds, when due, will be payable solely from the Escrow Account, (ii) the Refunded 1992 Bonds will be deemed paid within the meaning of the Indenture, and (iii) the lien relating to the Refunded 1992 Bonds in favor of the holders of the Refunded 1992 Bonds will be discharged and released. Thereafter, the holders of the Refunded 1992 Bonds shall look only to the funds on deposit in the Escrow Account for the payment of the principal of, premium (if any) and interest thereon. The following table shows, on an annual basis, the maturing principal amount of (i) the Series 1992 Bonds Outstanding before issuance of the Series 1998 Bonds, (ii) the Series 1992 Bonds refunded with the Series 1998 Bonds, and (iii) the Series 1992 Bonds Outstanding after application of Series 1998 Bonds proceeds.

City of St. Louis, Missouri Lambert-St. Louis International Airport Maturity of Series 1992 Bonds

<u>Year</u>	<u>Series 1992 Bonds Outstanding BEFORE Series 1998 Issue¹</u>	<u>Amount Refunded with Series 1998 Bonds</u>	<u>Series 1992 Bonds Outstanding AFTER Series 1998 Issue¹</u>
1999	3,575,000	-	3,575,000
2000	3,765,000	-	3,765,000
2001	3,970,000	-	3,970,000
2002	4,190,000	-	4,190,000
2003	4,435,000	-	4,435,000
2004	4,695,000	3,945,000	750,000
2005	4,980,000	4,185,000	795,000
2006	5,280,000	4,440,000	840,000
2007	5,595,000	4,705,000	890,000
2008	5,930,000	4,985,000	945,000
2009	6,290,000	5,285,000	1,005,000
2010	6,670,000	5,610,000	1,060,000
2011	7,080,000	5,955,000	1,125,000
2012	7,515,000	6,325,000	1,190,000
2013	7,975,000	6,710,000	1,265,000
2014	8,460,000	7,115,000	1,345,000
2015	<u>8,980,000</u>	<u>7,555,000</u>	<u>1,425,000</u>
Total	99,385,000	66,815,000	32,570,000

¹Based upon contributions to Sinking Funds.

ESTIMATED SOURCES AND USES OF FUNDS

The table below shows estimated sources and uses of funds in connection with the issuance of the Series 1998 Bonds.

Sources of Funds:

Principal Amount of Series 1998 Bonds	\$ 69,260,000.00
Original issue net premium	3,081,995.45
Funds held with respect to the Series 1992 Bonds ¹	2,368,165.88
Accrued Interest	<u>151,663.78</u>
Total Sources of Funds	\$ <u>74,861,825.11</u>

Uses of Funds:

Deposit to Escrow Account	\$ 73,372,835.55
Costs of Issuance ²	794,093.91
Underwriters' Discount	543,231.87
Deposit to Debt Service Account	<u>151,663.78</u>
Total Uses of Funds	\$ <u>74,861,825.11</u>

¹ Amounts released from the Series 1992 Debt Service Account and the Series 1992 Debt Service Reserve Account.

² Includes legal, accounting, printing, bond insurance premium and other expenses associated with the issuance of the Series 1998 Bonds.

DEBT SERVICE REQUIREMENTS*

The following table shows annual debt service for the Outstanding Bonds, annual debt service for the Series 1998 Bonds and total Bond debt service for the Fiscal Years set forth below.

<u>Fiscal Year</u>	<u>Debt Service on Outstanding Bonds¹</u>	<u>Series 1998 Bonds Principal</u>	<u>Series 1998 Bonds Interest</u>	<u>Total Bond Debt Service</u>
1999	43,753,166	-	1,990,587	45,743,753
2000	43,876,429	315,000	3,412,435	47,603,864
2001	44,886,106	325,000	3,401,725	48,612,831
2002	44,515,281	340,000	3,388,725	48,244,006
2003	45,236,906	350,000	3,375,125	48,962,031
2004	41,615,491	4,310,000	3,361,125	49,286,616
2005	41,645,891	4,530,000	3,145,625	49,321,516
2006	20,743,474	4,760,000	2,919,125	28,422,599
2007	20,989,116	4,950,000	2,728,725	28,667,841
2008	16,460,776	5,145,000	2,530,725	24,136,501
2009	16,432,731	5,410,000	2,267,044	24,109,775
2010	16,396,903	5,690,000	1,989,781	24,076,684
2011	16,363,478	5,980,000	1,698,169	24,041,646
2012	16,332,721	6,295,000	1,391,694	24,019,415
2013	16,301,874	6,610,000	1,069,075	23,980,949
2014	16,269,963	6,945,000	730,313	23,945,275
2015	16,241,619	7,305,000	374,381	23,921,000
2016	14,696,525	-	-	14,696,525
2017	14,664,119	-	-	14,664,119
2018	14,131,069	-	-	14,131,069
2019	14,137,463	-	-	14,137,463
2020	14,135,344	-	-	14,135,344
2021	14,133,925	-	-	14,133,925
2022	14,131,900	-	-	14,131,900
2023	14,137,963	-	-	14,137,963
2024	14,135,288	-	-	14,135,288
2025	14,137,825	-	-	14,137,825
2026	14,133,750	-	-	14,133,750
2027	<u>14,131,750</u>	<u>-</u>	<u>-</u>	<u>14,131,750</u>
Total	648,768,844	69,260,000	39,774,378	757,803,222

* Amounts are rounded to the nearest dollar.

¹ Excludes Debt Service on Refunded 1992 Bonds.

THE CITY OF ST. LOUIS

General

The City is located on the Mississippi River, the eastern boundary of the State of Missouri, just below its confluence with the Missouri River. The City occupies approximately 61.4 square miles of land, and its area has remained constant since 1876. The City, a constitutional charter city not a part of any county, is organized and exists under and pursuant to its Charter and the Constitution and laws of the State of Missouri.

The City is popularly known as the "Gateway to the West," due to its central location and historical role in the nation's westward expansion. Commemorating this role is the 630-foot stainless steel Gateway Arch, the world's tallest man-made monument, which is the focal point of the 86-acre Jefferson National Expansion Memorial on the downtown riverfront.

Government

The City's system of government is provided for by its Charter, which first became effective in 1914 and has subsequently been amended from time to time by the City's voters.

The Mayor, elected for a four-year term, is the chief executive officer of the City. The Mayor appoints most department heads, municipal court judges and various members of the City's boards and commissions. The Mayor possesses the executive powers of the City, which are exercised by the boards, commissions, officers and departments of the City under his general supervision and control.

The Comptroller is the City's chief fiscal officer, and is elected at large to a four-year term. The Comptroller is, by Charter, Chairman of the Department of Finance for the City and also has broad investigative audit powers over all City departments and agencies. The Comptroller also has administrative responsibility for all of the City's contracts, financial departments and accounting procedures.

The legislative body of the City is the Board of Aldermen. The Board of Aldermen is comprised of 28 Aldermen and a President. One Alderman is elected from each of the City's 28 wards to serve a four-year term, one-half of which wards elect Aldermen biennially. The President of the Board of Aldermen is elected at large to serve a four-year term. The President is the presiding officer of the Board of Aldermen. The Board of Aldermen may adopt bills or ordinances which the Mayor may either approve or veto. Ordinances may be enacted by the Board of Aldermen over the Mayor's veto by a two-thirds vote.

The Board of Estimate and Apportionment is primarily responsible for the finances of the City. The Board of Estimate and Apportionment is comprised of the Mayor, the Comptroller and the President of the Board of Aldermen.

While most governmental functions of the City are controlled by the Mayor, the Comptroller, the Board of Estimate and Apportionment and the Board of Aldermen, the appointment of certain officials, including the members of the Board of Police Commissioners, and the Board of Election Commissioners, is made by the Governor of the State of Missouri. The Sheriff, Treasurer, Collector of Revenue, License Collector, Circuit Clerk, Circuit Attorney and Recorder of Deeds of the City are elected independently for four-year terms.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE

PAYMENT OF THE BONDS, EITHER AS TO PRINCIPAL, PREMIUM (IF ANY) OR INTEREST.

For more information concerning the City, see **APPENDIX B -- "INFORMATION CONCERNING THE CITY OF ST. LOUIS, MISSOURI"** hereto.

AIRPORT MANAGEMENT

Introduction

The Airport is owned by the City and operated by the Airport Authority. The Airport Authority was created by the City's Board of Aldermen by an ordinance adopted in 1968 and consists of the Commission, the Airport Authority's Chief Executive Officer and other managers and personnel required to operate the Airport. The Chief Executive Officer of the Airport Authority is the Director of Airports who is appointed by the Mayor for a term that runs concurrently with the Mayor's term of office or until his or her successor is appointed.

The Commission consists of the Director of Airports who serves as Chairman of the Commission, the Comptroller of the City, the President the Board of Aldermen, the Chairman of the Transportation and Commerce Committee of the Board of Aldermen, six members appointed by the Mayor for four-year terms and five additional members appointed by the St. Louis County Executive. The Commission is responsible for the planning, development, management and operation of the Airport. The present members of the Commission are set forth in this Official Statement.

The Director of Airports, with the approval of the Commission and the Board of Estimate and Apportionment of the City, has the power to enter into contracts, leases and agreements for use of the Airport property and facilities. Contracts, leases and agreements for a term of more than three years must also be authorized by ordinance of the Board of Aldermen. The Director of Airports, with the approval of the Commission, has the power to establish schedules fixing all other fees and charges.

Airport Staff

The Airport Commission and the Director of Airports have an Airport staff to aid them in carrying out their responsibilities. Key members of the Airport staff include five Assistant Directors.

Col. Leonard Griggs, Jr. is the Director of Airports and Chairman of the Airport Commission. He has held these positions from 1977 through 1987 and from July 1993 to the present. Prior to his retirement as Colonel from the United States Air Force in 1977, Colonel Griggs was the Vice Commander of the Airlift Command at Scott Air Force Base in Illinois. After his term as Director of Airports in 1987, he received a presidential appointment as Assistant Administrator for Airports with the Federal Aviation Administration. He is also a member of the National Civil Aviation Review Commission. The Director of Airports, with the approval of the Commission and the Board of Estimate and Apportionment of the City, has the power to enter into contracts, leases and agreements for use of the Airport property and facilities. Contracts, leases and agreements for a term of more than three years must also be authorized by ordinance of the Board of Aldermen. The Director of Airports, with the approval of the Commission, has the power to establish schedules fixing all other fees and charges.

The Assistant Director for Finance and Accounting is Kenneth Below. He is responsible for the financial planning and management functions at the Airport. Mr. Below has served in this capacity since December 1994. Prior to joining the Airport he was employed by Martin Marietta for ten years.

The Assistant Director for Planning and Development is Donald Ruble. Mr. Ruble is responsible for managing the construction of Airport improvements. Mr. Ruble has served in this position since December 1996. Mr. Ruble was first employed by the Airport in 1977 as an architect and was subsequently promoted to Architectural Manager in 1980. After serving four years as the Architectural Manager, Mr. Ruble was promoted to Assistant Director for Planning and Engineering in 1984, before leaving the Airport to join the Sverdrup Corporation. Upon his return in 1992, Mr. Ruble was hired as an Engineering Construction Manager and held that position until his current promotion.

The Assistant Director for Operations and Maintenance is Gerard Slay. Mr. Slay's responsibilities include airfield and terminal buildings maintenance and operations. Mr. Slay has served in this capacity since December 1996. Mr. Slay was hired at the Airport in 1984 as the Airport Maintenance Manager.

The Assistant Director for Engineering is William Fronick. Mr. Fronick is responsible for the planning and design of the Airport's capital improvement projects. Mr. Fronick has served in this capacity since December 1996. Mr. Fronick started at the Airport as an architect in 1983 and was later promoted to Architectural Manager in 1987 before his current position.

The Assistant Director for Community Programs is Linda Moore. Ms. Moore is responsible for the Airport's noise mitigation program. Ms. Moore has served in this position since July 1998.

THE AIRPORT

History and Location

The Airport is located in St. Louis County, which is adjacent to the City, approximately 15 miles northwest of the City's central business district, a drive of approximately 20 to 30 minutes on Interstate Highway 70, and approximately ten miles from the center of population of the St. Louis metropolitan area. The Airport is classified as a "Large Hub Airport" by the Federal Aviation Administration.

The Airport was originally established by Major Albert Bond Lambert and other aviation pioneers on a 160-acre site. It was acquired by the City in 1929 and subsequently expanded to its present size of slightly more than 3,400 acres.

According to data reported by Airports Council International, the Airport was ranked as the ninth busiest airport in operations in the nation and the tenth busiest in the world in 1997. In addition, according to Airports Council International, the Airport ranked fifteenth in the nation and twenty-second in the world in 1997 based on total passengers. TWA, which operates its major hub activities at the Airport, represented 69.8% of passenger enplanements at the Airport in 1997, which consisted of 25.4% origin and destination passengers and 44.4% connecting passengers. For the six-month period ending June 30, 1998, TWA's share of passenger enplanements at the Airport increased to 71.6%.

Service Area

The Airport's primary service area consists of the St. Louis Consolidated Standard Metropolitan Statistical Area (the "St. Louis Area"), which includes the City, Franklin, Jefferson, Lincoln, St. Charles, St. Louis and Warren counties in Missouri and Clinton, Jersey, Madison, Monroe and St. Clair counties in Illinois. The Airport is currently the only active commercial airport in the St. Louis Area. The Federal Aviation Administration identifies six reliever airports in the St. Louis Area. They are Spirit of St. Louis Airport in west St. Louis County; St. Louis Downtown Parks Airport in Cahokia, Illinois;

St. Louis Regional Airport in Bethalto, Illinois; St. Charles Municipal Airport; St. Charles County/Smart Airport; and Creve Coeur Airport.

In addition, a new airport, Mid America Airport, has been completed in St. Clair County, Illinois. Mid America started operations in November 1997. The passenger terminal opened in April 1998 with four gates, but has the capacity to increase to 85 gates. Currently, Mid America Airport is used by the Air National Guard's 126th Refueling Wing. In April 1998, Langa Air, an aircraft and maintenance company, became Mid America Airport's first commercial tenant; however, as of October 1998, it had no commercial passenger airlines using the airport's facility.

Airfield Facilities

Existing airfield facilities include five runways and a related taxiway system. The Airport operates with five concrete runways containing the following dimensions:

Runway 12R-30L -- 11,019 feet in length and 200 feet wide

Runway 12L-30R -- 9,003 feet in length and 150 feet wide

Runway 6-24 -- 7,602 feet in length and 150 feet wide

Runway 13-31 -- 6,289 feet in length and 75 feet wide

Runway 17-35 -- 3,008 feet in length and 75 feet wide.

The primary runway, 12R-30L, may be used by the largest types of commercial aircraft without restrictions. Two of the four remaining runways, 12L-30R and 6-24, are sufficient in length to handle safely most types of aircraft now serving the Airport. The other runways, 17-35 and 13-31, serve the commuter airlines and smaller types of general aviation aircraft. In addition to the runways, there are over 12 miles of 75-foot-wide concrete taxiways and four concrete holding pads. All runways and taxiways are equipped with Federal Aviation Administration approved lights with controllable brightness switching. Aircraft parking, servicing and refueling space is provided by 88 acres of concrete apron used by scheduled air carriers and 18 acres of concrete apron leased to two fixed base operators and used by general aviation aircraft.

Terminal Facilities

The main terminal was completed in 1956 and originally consisted of three concrete shell domes with vaulted ceilings of acoustical plaster and glass walls supported by a steel framework. The main terminal has since been expanded by the addition of a fourth dome and a two-level passenger roadway system. An east addition to the main terminal was added in 1976. The main terminal contains 528,250 square feet of floor space on three levels and concourses with an additional 590,641 square feet of space. The upper level of the main terminal contains the passenger ticketing and outbound baggage services, a restaurant, snack shops, cocktail lounges and gift shops. The middle level contains a bank, a PGA golf store, incoming baggage carousels, airport management offices, a United States Post Office, ground transportation services, five car rental agencies and concessions. The lower level contains airline operations offices, outbound baggage make-up and related facilities and services.

The City has substantially completed an expansion of the east terminal bringing the total number of jet gates at the Airport to 91. The east terminal has gates for twelve Boeing 737 aircraft with 234,000 square feet of building space. Included in the east terminal expansion is a domestic-international holdroom, a new ticketing area with counters, offices and queuing space, holdrooms and circulation space to support the additional gates, public rest rooms and telephones. The east terminal

has a two-level roadway system with a covered area for curbside baggage service and passenger drop-off. The lower drive provides for passenger pick-up, commercial transportation and passenger transport vehicles.

Public parking is provided in a multi-story parking garage of 1,600-car capacity adjacent to the passenger terminal roadway. There is a 1,178-car capacity paved parking area for intermediate-term parking across the Airport Service Road and 3,773-car capacity lots serviced by minibuses and used for long-term parking and overflow storage. In addition, a new 927-space parking facility located at the east terminal opened in March 1998. Furthermore, the Airport is one of the stops on the route of MetroLink, the area's light rail system, thereby providing additional means for passengers to access the Airport's facilities.

Other Facilities

The other principal structures at the Airport are five cargo buildings and ten related shop and service buildings. In addition there are other structures not owned by the Airport which include maintenance facilities for TWA, general aviation hangars, a Missouri Air National Guard hangar and certain cargo facilities.

Midcoast Aviation Services, Inc. occupies four hangars and has tie down storage and other ancillary services. Sabreliner Corporation occupies a building at the Airport. Also provided at this location are aircraft charters and rentals, hangar storage, tie down storage and minor airframe engine repairs. Air Terminal Services is engaged in servicing all charter and international flights. Boeing Corporation and the Missouri Air National Guard, both of which adjoin the Airport, use the Airport's runways and taxiways. Boeing Corporation pays landing fees determined in a manner similar to the airlines, and the Missouri Air National Guard pays a flat annual fee. The Missouri Air National Guard maintains and operates 21 aircraft at the Airport.

On a two-acre tract on Airport property is a unique, aviation-themed restaurant which is operated by Specialty Restaurant Corporation. The 8,000 square foot building is a replica of a 100 year old French farmhouse and was completed in September 1978.

In May 1989 a cargo facility was constructed for freight forwarders. The facility sits on a 28.9 acre site and contains a cargo building 100,000 square feet in size and 448,000 square feet of aircraft parking apron.

Airline Agreements

Use Agreements, Cargo Leases and Certain TWA Agreements. The City has entered into individual Use Agreements with certain of the airlines serving the Airport including, TWA, Trans States d/b/a Trans World Express, Southwest, Northwest, United, US Airways, Delta, American, America West and Frontier (the "Signatory Airlines") (individually with respect to each such airline, a "Use Agreement" and collectively, the "Use Agreements"). The City has also entered into separate Cargo Leases with five airlines (American, Delta, Northwest, TWA and US Airways) (individually with respect to each such airline, a "Cargo Lease" and collectively, the "Cargo Leases"). Each of the Use Agreements and Cargo Leases expires December 31, 2005, unless earlier terminated or extended in accordance with its terms. The Use Agreements grant the Signatory Airlines the right to use the airfield, one or more terminal building(s), the concourses and related facilities for the business of air transportation with respect to persons, property, cargo and mail. The Use Agreements also provide for the Airport to establish a cost accounting system based upon cost centers and to provide for the payment of rentals, fees and charges by the Signatory Airlines as established by such cost accounting system. The Cargo Leases grant the Signatory Airlines the right to use certain cargo and maintenance

facilities constructed by the Airport in connection with their respective air transportation businesses and establish rentals, fees and charges in connection therewith.

TWA and the City executed an amendment to TWA's Use Agreement in 1993 (the "Use Amendment 1993") which provides, among other things, that the 57 gates and terminal support facilities leased by TWA at the Airport are subject to reclamation and reassignment by the City if and to the extent that TWA fails to maintain certain utilization standards with respect to its numbers of daily flight departures at the Airport. In 1993, the City purchased substantially all of TWA's leasehold interests, improvements and related personal and certain real property located at and proximate to the Airport, for approximately \$70 million. Under the Use Amendment 1993, TWA agreed to pay to the City the rents, fees and charges previously payable under the TWA Use Agreement and, in addition, an Asset Use Charge for such purchased assets. For more information, see "**THE AIRLINE INDUSTRY - Trans World Airlines, Inc.**" herein.

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CAPITAL PROGRAM

Capital Improvement Program

The Airport has an ongoing capital improvement program (the "Capital Improvement Program") consisting of certain projects currently under construction and other projects to be undertaken within the five-year period of 1997-2001. The first two years of the Capital Improvement Program are completed and include projects funded with proceeds of the \$199,605,000 Airport Revenue Bonds, Series 1997. The Airport is currently updating its Capital Improvement Program, and once completed, estimates the cost to be approximately \$400 million, which does not include costs under the Master Plan discussed below. These projects include improvements to the airfield, terminal building and concourse, roadway, parking garage, and other Airport facilities.

The Master Plan

A master plan supplement to the Airport's 1992 master plan (collectively, the "Master Plan"), a related Airport Layout Plan and Environmental Impact Statement for the Airport's long-term expansion program were submitted to the Federal Aviation Administration (the "FAA") in January 1996. The final Environmental Impact Statement was released by the FAA, and the Record of Decision (the "ROD") granting approval of the expansion program was received by the City on September 30, 1998.

The Master Plan calls, as part of phase one, for the construction of a third parallel runway (the "New West Runway") southwest of the existing airfield with a separation of 4,100 feet between the outbound runways and 2,800 feet between the new runway and what will become the center runway of the expanded airfield.

The Master Plan also calls, as part of phase two, for the expansion of the passenger terminal complex at the Airport from the current 91 jet gates to approximately 108 jet gates, an increase in the size of the terminal building from 1.3 million square feet to 2.0 million square feet, and an increase in the number of parking spaces to approximately 12,500. The City plans to build the terminal and parking facilities when demand indicates and funding is available.

The City's current estimate of the costs associated with implementing the Master Plan is projected to be \$2.6 billion. The New West Runway project represents approximately \$946 million of this cost. The City currently expects to fund these costs from Airport Improvement Program grants, Passenger Facility Charges, and Additional Bonds. See "**Plan of Finance**" below.

The City of Bridgeton, Missouri, a charter city located west of the Airport in St. Louis County, and the City of St. Charles, Missouri, recently brought legal action against the City and the Airport challenging the implementation of the New West Runway project. For more information, see "**LITIGATION**" herein.

Plan of Finance

General. The City expects to commence the implementation of the New West Runway project in phases. This phased implementation will enable the City to continue to monitor the level of enplanements at the Airport and the level of aircraft delays, as well as the requirements of the air carriers serving the Airport. See "**CAPITAL PROGRAM - The Master Plan**" herein.

Use of Passenger Facility Charge Revenues. On November 5, 1990, the FAA approved a \$3.00 Passenger Facility Charge to be imposed and used to pay qualified costs of the Airport. The FAA approved the collection of a total amount of \$340.5 million. Based upon forecasted enplanements, it

was estimated that collections at the Airport would expire in September 1, 2001. As of June 30, 1998, the City had collected \$202.8 million of Passenger Facility Charges.

The City intends to submit an amendment and use application to the FAA the net effect of which will be to reduce the City's current Passenger Facility Charge collection authority to \$318.3 million. The estimated collection expiration date will be revised to March 1, 2001. In addition, the City intends to submit a new application to utilize Passenger Facility Charges (on either a "pay-as-you-go" or leveraged basis) to fund a portion of the cost of the New West Runway project.

As described under "SECURITY FOR THE BONDS -- Pledge of Revenues" herein, Passenger Facility Charges are excluded from the definition of "Revenues" under the Indenture, and are not pledged as security for the Bonds.

Use of Development Fund. As of June 30, 1998, substantially all amounts on deposit in the Development Fund had been committed to pay for a portion of the costs of the Capital Improvement Program and a portion of the cost of the New West Runway project. Approximately \$25 million of funds has been appropriated by the City and will be used to fund the cost of initial land acquisition, design and program management services associated with the New West Runway project.

Federal Grants. In the past three years, the Airport has received a total of \$12.1 million in entitlement and \$26.6 million in discretionary Airport Improvement Program grants from the FAA. The FAA, on October 7, 1998, granted the Airport a "Letter of Intent" to commit \$141.5 million in future Airport Improvement Program grants to the New West Runway project. Assuming continued timely and adequate reauthorization of the Airport Improvement Program, the disbursement of the funds will be made over a period of 10 years beginning in the current fiscal year. Under the Letter of Intent, the Airport is not restricted from applying for or receiving noise discretionary grants or other discretionary grants in the future.

Noise Abatement

The Federal Aviation Regulation Part 150 ("FAR Part 150"), Airport Noise Compatibility Planning, was enacted in 1984 to require airport operators to work with their surrounding communities to address the noise impacts of aircraft operations. Soon after FAR Part 150 was enacted, the Airport Authority initiated an FAR Part 150 Study for the Airport which was updated in 1994 ("FAR Part 150 Study Update").

Within the 1994 noise contours, there are 13,882 acres with 19,000 housing units and over 44,000 people impacted by aircraft noise. The recommendations in the FAR Part 150 Study Update include completing the ongoing land acquisition program, acquiring four mobile home parks, developing a sound insulation and sales assistance program for eligible homeowners, completing the sound insulation of schools within the 1999 noise contours and purchasing a new noise monitoring system to help in the implementation of the operational procedure recommendations. With the implementation of the operational recommendations and the remedial noise program, it is estimated that inside the 1999 noise contours, there will be 7,400 acres with 7,100 housing units and just over 15,000 people impacted by noise.

The estimated cost of implementing the FAR Part 150 Study Update is approximately \$160 million. The greater portion of the program's cost is allocated to land acquisition, estimated at \$82 million. This cost is included in the approximately \$400 million Capital Improvement Program. Implementation of the sound insulation and sales assistance program is estimated to be \$78 million. This cost is not included in the Capital Improvement Program and implementation is voluntary. The main sources of funding are federal grants and Passenger Facility Charges. Depending on the availability of funds, the land acquisition program is expected to take five years to complete. The sales

assistance and sound insulation programs, which are also dependent on available funds, may not be completed within the five-year time frame of the FAR Part 150 Study Update. It is expected that the next FAR Part 150 Study Update will be necessary by the year 2000.

AIRLINE SERVICE

General

In terms of the weight shipped or carried through the area, the City ranks as the second largest inland port in the United States. In 1997, the Airport was the ninth busiest airport in the nation and tenth in the world for aircraft operations, and fifteenth in the nation and twenty-second in the world in total passengers according to the Airport Council International. In 1997 there were approximately 517,000 aircraft operations and approximately 27.6 million passengers at the Airport, with approximately 1,400 average daily arrivals and departures. TWA flies to 76 North American and Caribbean destinations from the Airport and provides service to ten destinations in Europe and the Middle East. TWA also provides direct air service to Toronto, Canada and Cancun, Mexico.

Scheduled airline service is provided by the airlines shown below.

<u>Signatory Air Carriers</u>	<u>Non-Signatory Air Carriers</u>	<u>Air Cargo Carriers</u>
America West	Air Canada	Airborne Express
American	American Trans Air	Burlington Air
Continental	Comair	DHL Airways
Delta	Continental Express	Emery Airfreight
Northwest	Frontier	Federal Express
Southwest	Skyway Airlines	United Parcel Service
Trans States*	Sun Country	Zantop International Airlines
TWA		
United		
US Airways		

* Trans States operates under the name Trans World Express and is a TWA code-sharing partner.

Passenger Enplanements

Passenger enplanements at the Airport are categorized as either originating or connecting. Originating passengers are those who begin their travel from within the Airport's service area. Enplaning passengers who originate their travel within the Airport's service area, and those deplaning at the Airport with an ultimate travel destination within the Airport's service area, constitute the Airport's "Origin and Destination" demand for service. Connecting passengers are those whose travel begins and ends outside the Airport's service area. In deplaning and enplaning at the Airport, connecting passengers are transferring from one flight which connects with another. Connecting activities at airports are also referred to as "hub" activities. The table which follows shows, for the period indicated, the origin and destination and connecting enplanement traffic at the Airport.

Historical Origin & Destination and Connecting Enplanement Traffic

Calendar Year	O&D		Connecting		Total Enplanements
	(000)	% of Total	(000)	% of Total	(000)
1987	4,894	49.0	5,088	51.0	9,982
1988	5,227	51.9	4,837	48.1	10,064
1989	5,349	53.5	4,648	46.5	9,997
1990	5,575	55.6	4,444	44.4	10,020
1991	5,545	58.0	4,011	42.0	9,556
1992	6,181	59.0	4,297	41.0	10,479
1993	6,271	63.1	3,671	36.9	9,942
1994	6,938	59.5	4,728	40.5	11,667
1995	7,316	56.9	5,532	43.1	12,848
1996	7,472	54.8	6,160	45.2	13,631
1997	7,127	51.6	6,676	48.4	13,803
1998 ¹	3,470	48.8	3,635	51.2	7,105

Average Annual Growth Rate

<u>Period</u>	<u>O&D</u>	<u>Connecting</u>	<u>Total Enplanements</u>
1987-1997	3.8%	2.8%	3.3%
1987-1992	4.8	(3.3)	1.0
1992-1997	2.9	9.2	5.7

¹ Covers period from January 1, 1998 to June 30, 1998.

Source: Airport management records.

Total enplanements continue to increase as noted by the average annual growth increase of 5.7% during calendar years 1992 through 1997. However, during 1997, origin and destination enplanements declined approximately 4%. This resulted from a decline in enplanements by Southwest Airlines during this period based on an internal strategy to alter some of its routing patterns to increase efficiency.

Air Carrier Activity at Airport

The table below summarizes scheduled air carrier activity at the Airport for the indicated periods.

The Airport's dominant carriers, TWA (and its affiliated carriers) and Southwest, collectively, accounted for 81.6% of the enplanements in 1997.

Historical Airline Enplanements and Market Share

	<u>Enplanements</u>			<u>Market Share</u>		
	1992	1997	1998 ¹	1992	1997	1998 ¹
<u>Air Carrier</u>						
America West	115,538	95,668	40,069	1.1%	0.7%	0.5%
American	426,585	305,420	147,802	4.0%	2.2%	2.1%
American Trans Air	0	51,716	33,520	0.0%	0.4%	0.5%
Continental	119,405	141,406	58,494	1.1%	1.0%	0.8%
Delta	264,585	272,127	98,416	2.5%	2.0%	1.4%
Northwest	302,800	301,758	138,774	2.8%	2.2%	1.9%
Southwest	1,057,578	1,632,787	840,118	9.9%	11.8%	11.8%
TWA	7,092,582	9,642,626	5,094,365	66.2%	69.7%	71.6%
United	303,773	272,199	132,726	2.8%	2.0%	1.9%
US Airways	203,803	160,100	69,368	1.9%	1.2%	1.0%
<hr/>						
Total Air Carriers	9,886,649	12,875,807	6,653,652	92.3%	93.2%	93.5%
<u>Commuters</u>						
Air Canada	0	19,462	8,430	0.0%	0.1%	0.1%
Continental	0	13,726	8,496	0.0%	0.1%	0.1%
Comair	20,381	52,155	33,358	0.2%	0.4%	0.5%
Executive Express	5,761	2,969	1,911	0.1%	0.0%	0.0%
Frontier	0	32,151	0	0.0%	0.2%	0.0%
Mesa Airlines	0	0	13,107	0.0%	0.0%	0.2%
Skyway Airlines	0	4,866	1,950	0.0%	0.0%	0.0%
Trans States	<u>653,912</u>	<u>771,501</u>	<u>357,581</u>	<u>6.2%</u>	<u>5.6%</u>	<u>5.1%</u>
Total Commuters	682,630	896,830	424,833	6.4%	6.4%	6.0%
Non-Scheduled	<u>140,857</u>	<u>48,390</u>	<u>35,963</u>	<u>1.3%</u>	<u>0.4%</u>	<u>0.5%</u>
Total	10,710,136	13,821,027	7,114,448	100.0%	100.0%	100.0%

¹ Covers period from January 1, 1998 to June 30, 1998.

Source: Airport management records.

SELECTED FINANCIAL INFORMATION

Revenues and Expenses

Revenues and Expenses, as defined in the Indenture and which differ from revenues and expenses under generally accepted accounting principles, for the Fiscal Years set forth below, are listed in the following table. For more detailed information on revenues and expenses for Fiscal Years ended June 30, 1998 and 1997 in conformity with generally accepted accounting principles, see **APPENDIX C -- "AUDITED FINANCIAL STATEMENTS OF THE AIRPORT"** hereto. This Official Statement does not include financial information on the Airport after June 30, 1998.

Lambert-St. Louis International Airport Total Airport Revenues and Expenses (\$000's)

	AUDITED (Fiscal Years Ended June 30)				
<u>Operating Revenues</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Airline Fees ¹	\$ 41,042	\$ 43,330	\$ 44,996	\$ 45,730	\$ 50,996
Concession Fees	24,514	28,554	28,892	27,953	29,587
Cargo/Other Revenues ²	8,977	7,657	7,313	7,578	7,811
TWA Asset Use Charges	4,323	7,829	7,829	7,829	7,829
Interest Income	<u>5,276</u>	<u>7,756</u>	<u>8,290</u>	<u>8,510</u>	<u>8,125</u>
Total Operating Revenue	<u>\$ 84,132</u>	<u>\$ 95,126</u>	<u>\$ 97,320</u>	<u>\$ 97,600</u>	<u>\$ 104,348</u>
<u>Operating Expenses</u>					
Total Maintenance and Operating Expenses	<u>\$ 38,207</u>	<u>\$ 41,582</u>	<u>\$ 45,484</u>	<u>\$ 49,313</u>	<u>\$ 52,833</u>
Net Revenues	<u>\$ 45,925</u>	<u>\$ 53,544</u>	<u>\$ 51,836</u>	<u>\$ 48,287</u>	<u>\$ 51,515</u>
Annual Debt Service	25,525	36,783	33,838	34,391	37,169
Debt Service Coverage	1.80	1.46	1.53	1.40	1.39
Airport Revenues/Enplanement	\$ 7.94	\$ 7.58	\$ 7.33	7.23	7.28
Airline Cost/Enplanement	\$ 3.87	\$ 3.45	\$ 3.39	3.39	3.55

¹ Consist of landing fees and terminal rents for both Signatory and Non-Signatory Airlines.

² Excludes Passenger Facility Charges and interest thereon.

Management Discussion

Operating Revenues. Operating Revenues for the Fiscal Year ended June 30, 1998 were \$104,347,611. This amount represents an increase of \$6,747,655, or approximately 6.9% over the prior Fiscal Year. This increase is largely attributable to an increase in aviation use fees and concession fees.

Operating Expenses. Operating Expenses for the Fiscal Year ended June 30, 1998 were \$52,833,238. This amount represents an increase of \$3,520,410, or approximately 7.1% over the prior Fiscal Year. This increase was primarily due to incremental expenses for salaries, wages, overtime associated with the operation of heavy equipment for snow removal and improved custodial services in the terminal.

Net Revenues. Net Revenues for the Fiscal Year ended June 30, 1998 were \$51,514,373. This amount represents an increase of \$3,227,245, or approximately 6.7% higher than the prior Fiscal Year. As noted above, this was largely attributed to the increase in aviation use fees and concession fees.

New Concessions Strategy. The City implemented a new concession strategy in early 1997 that has established new minimum guarantees under certain contracts, as well as a revamping of certain terminal space for additional concession activities that was previously underutilized at the Airport. Effective February 1, 1997, master agreements have been negotiated with Host International, Inc. (food and beverage) and The Paradies Shops, Inc. (news and gifts).

On December 1, 1998, the Airport added two new passenger rental car concessions that increased the number of passenger rental car concessions from six to eight.

The City of St. Louis Board of Aldermen passed a new ground transportation ordinance that established a higher fee structure for those businesses which provide ground transportation services at the Airport. Effective date of this ordinance was October 1, 1998.

Financial Condition of TWA. Airport management continues to closely monitor the financial condition of TWA, which has operated its major hub at the Airport since 1982. TWA's passenger enplanements represented 69.8% of passenger enplanements at the Airport in 1997. For the six-month period ending June 30, 1998, TWA's share of passenger enplanements at the Airport increased to 71.6%.

Employees and Pension Plans

The work force at the Airport consists of approximately 774 regular Airport employees and approximately 58 employees of the Airport Fire Department. In the opinion of Airport management, employee relations are satisfactory.

All regular Airport employees, excluding the Airport Fire Department employees, are beneficiaries under the City's employee retirement plan. Airport Fire Department employees are beneficiaries under the City's Firemen's Retirement System. Each plan incurred a past service liability on the date of its adoption. The Airport annually pays to the plans the Airport's share of the costs thereof. Such share consists of the current funding requirements of the plans together with an amount sufficient to amortize the past service liability by December 31, 2011. While actuarial estimates of the liability of the City for all City employees for the past service liability have been prepared, a separate actuarial estimate of the Airport's share of the past service liability is not available.

Year 2000 Compliance

The Airport has taken steps to identify and address problems created by its computers, equipment and systems, which may not operate properly when required to use the Year 2000 date. In June 1998, the Airport established a working group of employees, which meets regularly to identify and address possible Year 2000 compliance issues. The Airport has reserved \$200,000 for Year 2000 compliance, and an authorization of an additional \$1 million is pending. The Airport has implemented a contract requirement for all new equipment and system purchases to be Year 2000 compliant. The Airport has also requested certification from the carriers and Airport concessionaires and vendors that addresses their ability to be compliant by January 1, 2000. The Airport's current schedule contemplates assessment of Year 2000 compliance requirements by January 1999, and implementation and testing by July 1999. Although the Airport anticipates meeting the objectives for Year 2000 compliance, there can be no guarantee that compliance will be achieved. There can also be no guarantee that the Airport's carriers (including TWA) and vendors, or other entities which affect the Airport's operations (such as the FAA) will be Year 2000 compliant. See APPENDIX C -- "Audited Financial Statements of the Airport," hereto and footnote 15 thereto.

THE AIRLINE INDUSTRY

This section contains general information concerning the airline industry, including TWA. The information contained in this section is not, and is not intended to be, a comprehensive or an exhaustive discussion of the airline industry, including TWA.

General

The City's ability to derive Revenues from its operation of the Airport depends upon various factors, many of which are not subject to the control of the City or management at the Airport. There are numerous factors which affect air traffic generally and air traffic at the Airport specifically. Demand for air travel is influenced by factors such as, among other things, population, levels of disposable income, the nature, level and concentration of economic activity in the service area and the price of air travel. The price of air travel is, in turn, affected by the number of airlines serving a particular airport and a particular destination, the financial condition, cost structure and hub strategies of the airlines serving an airport, national and international economic conditions, federal or state regulatory actions, airline service, air fare levels, the operation of the air traffic control system, the willingness of competing airlines to enter into an airport market, the cost of operating at an airport, the price of fuel and any operating constraints (due to capacity, environmental concerns or other related factors) limiting the airport traffic within the national system or at a particular airport. The financial strength and stability of airlines serving the Airport are a key determinant of future airline traffic. Accordingly, no assurance can be given as to the levels of aviation activity that will be achieved at the Airport.

The financial results of the airline industry have been subject to substantial volatility since deregulation of the airline industry in 1978. The industry has undergone significant changes including a number of airline mergers, acquisitions, bankruptcies and closures. Several airlines have filed for bankruptcy protection, including TWA, America West Airlines, Continental, Eastern, Midway Airlines, KIWI International Airlines, Inc., and Pan American World Airways. Further bankruptcy filings, liquidations or major restructurings by other airlines are also possible. If any airline using the Airport were to file for protection under the bankruptcy laws, such airline (or a trustee on its behalf) may have a right to seek, among other things, rejection of its Use Agreement. Further, the insolvency or the filing of a bankruptcy petition by any Signatory Airlines, including TWA, may adversely affect or delay

the stream of payments to the Airport from such Signatory Airline. Although the Airport may pass on certain costs not paid by such Signatory Airline to other Signatory Airlines, there is no assurance that the remaining Signatory Airlines would pay such costs.

Trans World Airlines, Inc.

Introduction. TWA, the nation's seventh largest air carrier, is the primary air carrier at the Airport. Since commencing hub operations at the Airport in 1982, TWA has routed a large volume of connecting flights through the Airport. For 1997, TWA's enplanements accounted for approximately 69.8% of enplaned passengers at the Airport. For the six-month period ending June 30, 1998, TWA's share of passenger enplanements at the Airport was 71.6%. In addition, payments by TWA accounted for approximately 46% and 47% of Operating Revenue, respectively, in Fiscal Years 1997 and 1998.

TWA Reorganizations and Agreements. On January 31, 1992, TWA filed a petition to reorganize under Chapter 11 of the United States Bankruptcy Code, as amended (the "Bankruptcy Code"). Following court approval of its plan of reorganization, TWA emerged from bankruptcy on November 3, 1993. TWA again filed a petition for reorganization under Chapter 11 of the Bankruptcy Code on June 30, 1995, and its pre-packaged plan of reorganization was approved on August 4, 1995. These reorganizations resulted in the elimination of more than \$1.5 billion of debt and lease obligations. In addition, as part of TWA's initial plan of reorganization in 1993, the City purchased substantially all of TWA's leasehold interests, improvements and related personal and certain real property located at and proximate to the Airport for approximately \$70 million. The City is currently leasing and licensing such interests and property back to TWA pursuant to the Use Amendment 1993, under which TWA pays Asset Use Charges for the use of such interests and property.

Under the Use Amendment 1993, the City has the right to reclaim and reassign to other airlines up to 57 TWA gates at the Airport if and to the extent that TWA fails to maintain certain utilization standards with respect to its number of daily flight departures at the Airport. This may prevent the gates from being unused if TWA's operations at the Airport are substantially reduced. Also, as part of the \$70 million purchase from TWA, the City acquired ownership and control of certain of TWA's personal property, including loading bridges, baggage handling systems, ground power systems, de-icing systems, hold-room seating, office furnishings, counters, flight information display information systems, motorized and non-motorized ramp and maintenance equipment. The City believes that its right to reclaim and reassign gates in the event of reductions in TWA's operations at the Airport, together with the City's ownership of the personal property, may enhance the City's ability to maintain revenues from airlines at the Airport.

The City's Cargo Leases and Use Agreements permit the City to adjust rental rates for each rate period to reflect deficiencies or excesses that occurred during the preceding rate period. Such deficiencies or excesses may result from a variety of circumstances, including airline bankruptcies and vacancies of Airport facilities. Notwithstanding these provisions, the City is not permitted to make adjustments based on deficiencies resulting from any TWA failure to pay Asset Use Charges. The City intends, to the extent feasible, to enforce rental rate adjustment provisions contained in the Cargo Leases and Use Agreements to replace revenues that may not be available from airlines (other than revenues attributable to Asset Use Charges). In connection with any deficiencies resulting from such circumstances as vacancies or air carrier bankruptcies, the City anticipates allocating nonpayments in current calendar year airfield operations to other air carriers in subsequent calendar year adjustments. In the event of a default by TWA, to the extent that other air carriers request use of some of the

facilities previously occupied by TWA, such air carriers would be expected by the City to pay the Asset Use Charges allocable to such facilities.

No assurance is given that in the event of a default by TWA, revenues from a rental adjustment, and revenues available to replace TWA's Asset Use Charges would be sufficient or received on a timely basis to make payments on the Bonds, including the Series 1998 Bonds.

For more information regarding TWA's contract obligations, see "THE AIRPORT -- Airline Agreements" herein and APPENDIX A - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES" hereto.

Recent Financial Information. TWA reported an operating loss of \$29.3 million for the year ending December 31, 1997 versus an operating loss of \$198.53 million for the year ending December 31, 1996 (including a special charge on non-recurring items of \$85.9 million). TWA's net loss for 1997 was \$110.8 million compared to a net loss of \$284.8 million for 1996 (including a special charge on non-recurring items of \$85.9 million).

TWA reported its cash and cash equivalents balance was \$314.6 million at September 30, 1998, up \$76.8 million from its balance of \$237.8 million at December 31, 1997. The December 31, 1996 cash and equivalents balance was \$181.6 million. The cash and cash equivalents balance increased from 1996 to 1997 primarily due to issuance of long term debt and sale of preferred stock.

For the first nine months of 1998, TWA reported an operating profit of \$0.5 million and a net loss of \$58.9 million versus an operating loss of \$29.8 million and a net loss of \$91.3 million for the first nine months of 1997. For the third quarter of 1998, TWA reported an operating profit of \$23.7 million, a \$40.1 million decrease from a third quarter 1997 operating profit of \$63.8 million.

TWA announced a loss of \$923,000 before extraordinary items for the third quarter of 1998 on revenues of \$863.2 million, compared to income of \$13.3 million before extraordinary items and revenues of \$908.4 million for the third quarter of 1997. In response thereto, Standard & Poor's revised its outlook on TWA to "stable" from "positive."

Capital Resources. In recent years, TWA's earnings have not been sufficient to cover its fixed charges. Substantially all of the strategic assets that TWA owns, including its owned aircraft, ground equipment, gates, slots and overhaul facilities, have been pledged to secure various issues of outstanding indebtedness of TWA. TWA has relatively few non-strategic assets which it could monetize, substantially all of such assets being subject to various liens and security interests which would restrict and/or limit the ability of TWA to realize any significant proceeds from the sale thereof.

Other Factors. Various other factors adversely affect or could adversely affect TWA. The resolution of claims arising from the crash of TWA Flight 800 on July 17, 1996 and the availability of insurance to cover such claims could adversely affect TWA's financial condition or its public image. TWA is currently a defendant in a number of lawsuits related to the crash. Negotiations for new collective bargaining agreements with certain of TWA's employees are ongoing and any resulting substantial increase in labor costs could be particularly damaging to TWA. Failure to implement successfully current plans to reduce the average age of TWA's planes and to meet federal noise reduction standards could adversely affect operations. An adverse result in TWA's appeal of an unfavorable ruling in favor of Karabu Corporation and Carl C. Icahn against TWA related to an agreement to market and sell tickets to the public could have an adverse effect on TWA's revenue.

Any or all of these or other factors could result in a material adverse effect on TWA's operations or financial condition and adversely affect its financial viability.

There is no assurance that TWA will not file another Chapter 11 case to further restructure its financial affairs. Although relieved of substantial debt, TWA remains a highly leveraged company and has significantly less liquidity than many of its major airline competitors, several of which have available lines of credit and/or significant unencumbered assets. The financial forecasts used by TWA are and have been subject to, and may continue to be affected by, a number of factors, including significant business, economic and regulatory uncertainties and the adverse publicity to which TWA has been and possibly will continue to be subject as a result of the crash of TWA Flight 800. Many of these factors such as interest rates, load factors, yields, fuel costs, the economy, the level of competitiveness in the airline industry and the timing and availability of new flight equipment TWA contemplates leasing pursuant to its business strategies, are beyond the control of TWA. In addition, no assurance is given that TWA will continue its hub operations at the Airport. In the event that TWA discontinues or reduces its hub operations at the Airport, its current level of activity may not be replaced by other airlines. Accordingly, no assurance can be given as to the level of aviation activity which will be achieved at the Airport. In addition, any significant financial or operational difficulties incurred by TWA and any material decline in TWA's level of operations at the Airport may have a material adverse effect on the Airport to the extent that passenger demand at the Airport is not met by other air carriers. There can be no assurance that TWA will continue as a going concern, or in the event TWA ceases operations at the Airport, that other carriers would commence or increase operations.

Additional Information

The Signatory Airlines (including their respective corporate parents) and certain other airlines operating at the Airport (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the United States Securities and Exchange Commission. Certain information, including financial information, as of particular dates, concerning each airline (or their respective parent corporations) is included in such reports. The reports may be inspected in the Public Reference Room of the United States Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the United States Securities and Exchange Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, Suite 1300, New York, New York 10048. Copies of the reports may be obtained from the Public Reference Section of the United States Securities and Exchange Commission at the above address at prescribed rates. In addition, each Signatory Airlines and certain other airlines are required to file periodic reports of financial and operating statistics with the United States Department of Transportation. Such reports may be inspected at the following location: Office of Airline Statistics, Research and Special Programs Administration, United States Department of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the United States Department of Transportation at prescribed rates. The foreign airlines also provide certain information concerning their operations and financial affairs, which may be obtained from the respective airlines. Certain information regarding TWA may be obtained from the United States Bankruptcy Court for the Eastern District of Missouri and for the District of Delaware. The City makes no representation with respect to, and assumes no responsibility for, the accuracy or completeness of, any information filed by the airlines.

LITIGATION

There is no litigation pending in any court or, to the best knowledge of the City, threatened, that would restrain or enjoin the issuance or delivery of the Series 1998 Bonds, or that questions the validity of the Series 1998 Bonds or the Indenture or concerns any proceedings of the City taken in connection therewith, or the pledge or application of any Revenues provided for their payment, or that contests the power of the City with respect to the foregoing.

The Airport is subject to a variety of suits and proceedings arising out of its ordinary course of operations, some of which may be adjudicated adversely. In the opinion of the City Counselor there is no litigation pending against the City not sufficiently covered by insurance which if determined adversely would have a material adverse effect on Airport operations with the exception of the currently active suits described below which have been filed in the Courts of Missouri and the Federal Court. These suits seek significant amounts of monetary damages arising from Airport operations or other relief that might be adverse to the Airport.

John D. Corrigan, et al. vs. City of St. Louis, St. Louis County Circuit Court Cause No. 666713, filed in August, 1994 by the Board of Governors of the Carrollton Subdivision Homeowners Association located west of the Airport, arises from the City's purchase of homes in this subdivision under the Airport's Noise Mitigation Program. The Plaintiffs, in a four-count petition, seek payment for subdivision assessments, damages for alleged violations of subdivision restrictions, inverse condemnation and violation of environmental public policies exceeding fifteen million dollars (\$15,000,000). In June, 1995 the Court certified this as a class action lawsuit. This lawsuit, to which the City is responding through various pleadings, discovery and trial preparation, will be vigorously defended by the City, but the City Counselor is unable to predict with reasonable certainty the eventual outcome of the litigation or its financial or other impact on Airport operations.

In a decision rendered on December 22, 1997, in a case styled *Conlon Group v. City of St. Louis*, the Circuit Court of the City awarded a property owner the sum of \$4.2 million in an action for inverse condemnation. The plaintiff contended that it was deprived of any viable use of its property by virtue of the City's refusal to grant it a permit to demolish the structure on the property and convert the property to a surface parking lot. The City contended that the property owner had entered into a development agreement with the City under which it agreed to rehabilitate the existing structure. The decision of the Circuit Court was reversed on appeal and the plaintiff's motion for rehearing or transfer to the Missouri Supreme Court was denied by the Court of Appeals. The property owner has subsequently filed motions for rehearing or transfer with the Missouri Supreme Court.

On September 30, 1998, the FAA announced its Record of Decision ("ROD") on the City's request for approval of an amendment to the approved Airport Layout Plan for the Airport. In its ROD, the FAA approved the City's planned construction of a new approximately 9,000 foot runway that will extend into an area which includes the Carrollton subdivision in the City of Bridgeton. As a result of the ROD, the City of Bridgeton filed two actions seeking to prevent construction of the new runway.

In *City of Bridgeton vs. City of St. Louis*, St. Louis City Circuit Court, Cause No. 984-01840, Div. 2, filed September 30, 1998, the City of Bridgeton is seeking a declaration that the City cannot construct Airport related improvements in Bridgeton contrary to Bridgeton's zoning ordinance. Bridgeton contends that the construction of a new runway as approved by the ROD constitutes the construction of a new airport in the City of Bridgeton, rather than expansion of an existing airport.

Based upon the decision in *City of Bridgeton vs. City of St. Louis*, above, and a prior appellate decision in the case of *City of St. Louis vs. City of Bridgeton*, 705 S.W.2d 524 (Mo. App. 1986), the City believes that it will prevail on the merits of this action.

In *City of Bridgeton vs. Slater, et. al*, the City of Bridgeton filed a petition on October 6, 1998 for review of the ROD in the U.S. Court of Appeals for the 8th Circuit, Cause No. 98 3506, naming the FAA and the U.S. Department of Transportation as respondents. The City intends to intervene in this action. The U.S. Justice Department has advised the City that the federal government has never lost a ROD case involving airport expansion.

Two petitions for review similar to the last Bridgeton action have recently been filed in the U.S. Court of Appeals for the Eighth Circuit by the City of St. Charles, Missouri and the County of St. Charles, Missouri. Both petitions claim that the FAA violated the National Environmental Policy Act, the Department of Transportation Act and the National Historic Preservation Act. The City intends to pursue a consistent course of action with regard to all such litigation.

In a prior case between the parties, styled *City of Bridgeton vs. City of St. Louis*, St. Louis City Circuit Court, Cause No. 964-0980, the City of Bridgeton, Missouri, filed a petition in April 1996 for declaratory judgment and injunction, opposing the proposed Airport expansion plans relating to the New West Runway project (also referred to as "W-1W"). The complaint was based on the claim that the City of Bridgeton's zoning ordinance prohibited this expansion. A Missouri Circuit Court Judge granted the City's motion to dismiss, ruling that the City of Bridgeton's litigation against Airport expansion was premature since no Record of Decision had yet been issued by the FAA. The City of Bridgeton has not appealed.

All of these lawsuits, to which the City is responding through various pleadings, discovery and trial preparation, will be vigorously defended by the City, but the City Counselor is unable to predict with reasonable certainty the eventual outcome of the litigation or its financial or other impact on Airport operations.

UNDERWRITING

PaineWebber Incorporated, Salomon Smith Barney and any other underwriters listed on the cover of this Official Statement (collectively, the "Underwriters") have agreed to purchase the Series 1998 Bonds from the City at an aggregate purchase price equal to the principal amount of the Series 1998 Bonds set forth on the cover page hereof, plus net original issue premium of \$3,081,995.45 and less an underwriters' discount of \$543,231.87, plus accrued interest. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 1998 Bonds, if any are purchased, and the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices of the Series 1998 Bonds may be changed from time to time by the Underwriters.

INDEPENDENT PUBLIC ACCOUNTANTS

The financial statements as of June 30, 1998 and for the year then ended, included in this Official Statement, have been audited by KPMG Peat Marwick LLP, independent public accountants, as stated in their report appearing herein. See APPENDIX C -- "AUDITED FINANCIAL STATEMENTS OF THE AIRPORT" hereto.

FINANCIAL ADVISORS

Siebert Brandford Shank & Co., LLC and P.G. Corbin & Company, Inc. served as financial advisors to the City with respect to the sale of the Series 1998 Bonds. The financial advisors assisted in the preparation of this Official Statement, and in other matters relating to the planning, structuring and issuance of the Series 1998 Bonds and provided other advice. The financial advisors have not independently verified the factual information contained in this Official Statement, but have relied upon information supplied by the City and other sources who have certified that such information contains no material misstatement of information.

VERIFICATION OF MATHEMATICAL COMPUTATION

The accuracy of the mathematical computations (a) of the adequacy of the maturing principal amounts of the securities on deposit in the Escrow Account established for the Refunded 1992 Bonds, together with the interest income thereon, if any, and uninvested cash, if any, to pay, when due, the principal of, premium, if any, and interest on the Refunded 1992 Bonds; and (b) relating to the determination of compliance with the regulations and rulings promulgated under Section 148 of the Code has been verified by Causey, Demgen & Moore Inc. (the "Verification Agent"). Such verification of the accuracy of mathematical computations is based upon information and assumptions supplied by the City. The Verification Agent has restricted its procedures to examining the accuracy of certain mathematical computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

TAX EXEMPTION

In the opinion of Co-Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming compliance by the City with certain covenants and the accuracy of certain representations, interest on the Series 1998 Bonds is not includable in gross income for federal income tax purposes and is not includable in Missouri taxable income for purposes of the income tax imposed by the State of Missouri.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various limitations, conditions and other requirements which must be met at and subsequent to the issuance and delivery of the Series 1998 Bonds in order that interest on the Series 1998 Bonds will be and remain not includable in gross income for federal income tax purposes. Under Missouri law, these same limitations, conditions and other requirements must be satisfied in order for interest on the Series 1998 Bonds to be and remain not includable in Missouri taxable income for purposes of the income tax imposed by the State of Missouri. Included among these continuing requirements are certain restrictions and prohibitions on the use of Series 1998 Bond proceeds and the ownership and use of the facilities refinanced by the Series 1998 Bonds, restrictions on the investment of Series 1998 Bond proceeds and other amounts, and the rebate to the United States of certain earnings in respect of such investments. Failure to comply with the continuing requirements of the Code may cause interest on the Series 1998 Bonds to be includable both in gross income for purposes of federal income tax and in Missouri taxable income for purposes of the State of Missouri income tax, retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs. The City has covenanted to comply with certain procedures, and it has made certain representations and certifications, designed to assure satisfaction of the requirements of the Code in respect of the Series 1998 Bonds. The opinion of Co-Bond Counsel assumes and is dependent upon compliance with such covenants and the accuracy, in all material respects, of such representations and certificates, which Co-Bond Counsel will not

independently verify. These covenants, representations and certifications may be modified if the City obtains an opinion of nationally recognized bond counsel that any action thereunder is no longer required or that some further action is required. Co-Bond Counsel express no opinion with respect to the exclusion from (i) gross income for federal income tax purposes and (ii) Missouri taxable income for purposes of the State of Missouri income tax of interest on the Series 1998 Bonds in the event the opinion referred to in the preceding sentence is obtained by the City from nationally recognized bond counsel other than Whitman Breed Abbott & Morgan, LLP and Armstrong, Teasdale, Schlafly & Davis.

Co-Bond Counsel are of the further opinion that, assuming compliance with certain covenants and the accuracy of certain representations as described above, interest on the Series 1998 Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax on individuals and corporations. However, such interest received by corporations (other than S corporations, Regulated Investment Companies, Real Estate Investment Trusts, Real Estate Mortgage Investment Conduits and Financial Asset Securitization Investment Trusts) will be included in the calculation of "adjusted current earnings," a portion of which is an adjustment to such corporations' alternative minimum taxable income for purposes of calculating the federal alternative minimum tax imposed on corporations (but not individuals). Corporate purchasers of the Series 1998 bonds should consult their tax advisor concerning the computations of any alternative minimum tax.

Certain maturities of the Series 1998 Bonds may be initially offered to the public at prices less than the principal amount thereof payable at maturity. If the first price at which a substantial amount of the Series 1998 Bonds of the same maturity is sold in the initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) is less than the principal amount thereof payable at maturity, the difference between such price and principal amount constitutes original issue discount in respect of each Series 1998 Bond of the same maturity (the "Discount Bonds"). Bond Counsel is of the opinion that original issue discount, as it accrues, is excludable from gross income for federal income tax purposes and from Missouri taxable income for purposes of the State of Missouri income tax to the same extent as interest on the Series 1998 Bonds. Original issue discount accrues over the term of the Discount Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Generally, under this method, the portion of original issue discount which accrues in a taxable year will increase from taxable year to taxable year in a geometrical progression over the term of the Discount Bonds. Original issue discount may be treated as continuing to accrue even if payment of the Discount Bonds becomes doubtful in the event the City encounters financial difficulties. Accruals of original issue discount are treated as tax-exempt interest earned by holders on the accrual basis of tax accounting and as tax-exempt interest received by holders on the cash basis of tax accounting even though no cash corresponding to the accrual is received in the year of accrual. The tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to such holder's purchase price of such Discount Bond, the original issue discount which has accrued.

The portion of the original issue discount on a Discount Bond that accrues in each taxable year is included in the calculation of a corporate taxpayer's alternative minimum tax and branch profits tax (in the case of a foreign corporate taxpayer) to the same extent as interest on the Series 1998 Bonds and may have collateral tax consequences for the taxpayers referred to below. Accordingly Beneficial Owners of Discount Bonds are advised that the accrual of original issue discount could cause, or cause an increase in, tax liability under such taxes or collateral consequences although no cash will have been received in the year of accrual. Beneficial Owners of Discount Bonds should consult their own tax advisors with respect to the calculation of the amount of the original issue discount which will be treated for federal income tax purposes as having accrued for any taxable year (or portion thereof) of

the Beneficial Owners and with respect to other federal, state and local tax consequences of owning and disposing of the Discount Bonds.

Certain maturities of the Series 1998 Bonds are initially offered to the public at prices greater than the principal amount thereof payable at maturity. If Series 1998 Bonds are sold at prices in excess of their principal amount ("Premium Bonds"), the excess constitutes amortizable bond premium which, as it amortizes, will reduce the holder's tax cost of the Premium Bonds used to determine, for federal income tax purposes and purposes of the State of Missouri income tax, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bonds. No deduction is allowable for amortizable bond premium. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Generally, under this method, the portion of bond premium which amortizes in a taxable year will increase from taxable year to taxable year in a geometrical progression over the term of the Premium Bonds. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the Beneficial Owners and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Prospective purchasers of the Series 1998 Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of tax-exempt obligations may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The foregoing is not intended to be an exhaustive list of potential tax consequences. Prospective purchasers should consult their advisers as to any possible collateral consequences in respect of the Series 1998 Bonds. Co-Bond Counsel express no opinion regarding any such collateral federal income tax consequences.

LEGAL MATTERS

All legal matters incident to the authorization, issuance and sale of the Series 1998 Bonds are subject to the approval of Whitman Breed Abbott & Morgan LLP, New York, New York, and Armstrong, Teasdale, Schlafly & Davis, St. Louis, Missouri, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the office of the City Counselor and by Hopkins & Sutter, Chicago, Illinois, Special Counsel, and for the Underwriters by their co-counsel, Caldwell, Hughes & Singleton, St. Louis, Missouri, and Gallop, Johnson & Neuman, L.C., St. Louis, Missouri.

Co-Bond Counsel has assisted in the preparation of portions of this Official Statement under the captions **"THE SERIES 1998 BONDS"** (except for **"Book Entry System"**), **"SECURITY FOR THE BONDS"** (except for **"Bond Insurance"**, **"Subordinated Indebtedness and Special Facilities Indebtedness"** and **"Escrow Account for the Outstanding Obligations"**) and **"TAX EXEMPTION"** and in **APPENDIX A -- "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES"** and **APPENDIX E -- "FORM OF OPINION OF CO-BOND COUNSEL"** hereto, but has not been engaged or undertaken to review the accuracy, completeness or sufficiency of the remainder of this Official Statement and, accordingly,

expresses no opinion as to the accuracy, completeness or sufficiency of other material or information, including financial information, included herein.

CERTAIN RELATIONSHIPS

Armstrong, Teasdale, Schlafly & Davis represents the City of St. Louis from time to time in various litigation and other matters, including certain matters relating to the Airport. Armstrong, Teasdale, Schlafly & Davis is currently representing the City in, among other matters, the *City of Bridgeton v. City of St. Louis* lawsuit and related litigation described under "LITIGATION" herein.

Caldwell, Hughes & Singleton, St. Louis, Missouri, and Gallop, Johnson & Neuman, L.C., St. Louis, Missouri, are serving as Co-Counsel to the Underwriters and have represented the Underwriters in connection with the issuance of the Series 1998 Bonds. Caldwell, Hughes & Singleton and Gallop, Johnson & Neuman, L.C. each also represents the City from time to time on other transactions or matters.

CONTINUING DISCLOSURE

The City and the Trustee have entered into a Continuing Disclosure Agreement dated as of December 1, 1998 pursuant to which the City has covenanted for the benefit of holders and beneficial owners of the Series 1998 Bonds to provide (i) audited financial statements of the Airport and certain statistical and operating data relating to the City and the Airport by not later than 210 days following the end of the City's Fiscal Year (which currently ends on June 30 of each year) (the "Annual Report"), commencing with the report for the 1998 Fiscal year, and (ii) notice of the occurrence of certain enumerated events, if material. The Annual Report will be filed by or on behalf of the City with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by or on behalf of the City with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriters in complying with the SEC Rule 15c2-12(b)(5) (the "Rule"). The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events. A copy of the Continuing Disclosure Agreement is attached hereto as Appendix F.

If characterized as an "Obligated Person" under the Rule, certain information reporting requirements must be satisfied with respect to such entity. The City has determined that the City is an Obligated Person. The City has also determined that TWA currently is the only other Obligated Person. TWA is subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith, TWA files reports and other information with the United States Securities and Exchange Commission (the "SEC Reports"), as more fully described under the caption "**THE AIRLINE INDUSTRY -- Additional Information**" herein. The City makes no representation with respect to, and assumes no responsibility for the accuracy or completeness of, any SEC Report filed by, or any information provided by, TWA or by any future Obligated Person.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Investors Service have assigned ratings of "Aaa" and "AAA", respectively, to the Series 1998 Bonds, with the understanding that, upon delivery of the Series 1998 Bonds, the Bond Insurance Policy will be issued by the Bond Insurer. These ratings should be evaluated independently. No application has been made to any other rating agency in order to obtain additional ratings on the Series 1998 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from

the rating agency furnishing the same, at the following addresses: Moody's Investors Service, 99 Church Street, New York, New York 10007 and Standard & Poor's, 25 Broadway, New York, New York 10004. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 1998 Bonds.

MISCELLANEOUS

This Official Statement has been duly approved, executed and delivered by the City.

It is anticipated that CUSIP identification numbers will be delivered with the Series 1998 Bonds, but neither the failure to print such numbers on any Series 1998 Bonds, nor any error in printing of such numbers will constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 1998 Bonds.

The attached appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

THE CITY OF ST. LOUIS, MISSOURI

By: /s/Clarence Harmon

Clarence Harmon, Mayor

By: /s/Darlene Green

Darlene Green, Comptroller

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Appendix A

Summary of Certain Provisions of the Indenture, Airline Use Agreements and Other Leases

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES

THE INDENTURE

The following is a summary of certain provisions of the Indenture relating to the Airport Revenue Bonds, Series 1984 (the "Original Indenture") as supplemented by the Second Supplemental Indenture, pursuant to which the Series 1992 Bonds were issued, the Third Supplemental Indenture, pursuant to which the Series 1993 Refunding Bonds were issued, the Fourth Supplemental Indenture, pursuant to which the Series 1993A Bonds were issued, the Fifth Supplemental Indenture, pursuant to which the Series 1996 Refunding Bonds were issued, the Sixth Supplemental Indenture, pursuant to which the Series 1997 Bonds were issued, the Amended and Restated Indenture, and the Seventh Supplemental Indenture, pursuant to which the Series 1998 Bonds are to be issued, and is qualified in its entirety by reference to the Original Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Amended and Restated Indenture and the Seventh Supplemental Indenture. The Original Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture are collectively referred to as the "Indenture."

The summary of the certain provisions of the Indenture contained in this *Appendix A* reflects Original Indenture, as amended to the date hereof.

Definitions

The following terms have the following meanings in the Indenture, unless a different meaning clearly appears from the context:

"Accountant's Certificate" means a certificate signed by an independent certified public accountant or a firm of certified public accountants selected by the City satisfactory to the Trustee, who may be the accountant or firm of accountants who regularly audit the books of the City.

"Accrued Aggregate Debt Service" means, as of any date of calculation, an amount equal to the sum of (i) interest on the Bonds of all Series accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installments for all Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month.

"Additional Bonds" means Bonds authenticated and delivered pursuant to the Indenture, and thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Additional Project" means the extension, improvement, purchase, acquisition, construction and enlargement of facilities, appurtenances and equipment for the Airport to be financed in whole or in part from the proceeds of any Additional Bonds issued pursuant to the provisions of the Indenture.

"Adjusted Debt Service" means Debt Service, except that for any Series of Partially Amortizing Bonds it will mean Debt Service for each Fiscal Year other than the Fiscal Year in which the final maturity date of such Bonds occurs and with respect to such Fiscal Year and each Fiscal Year thereafter through the Fiscal Year ending on the date which is the anniversary of the final maturity date of such Series next occurring before the date which is 25.5 years after their issuance, that amount which if paid in substantially equal installments in each such Fiscal Year would pay the full amount of principal of such Bonds and the interest thereon (at the Index Interest Rate) by such anniversary.

"Aggregate Adjusted Debt Service" means, as of any particular date of computation and with respect to any period, the sum of the amounts of Adjusted Debt Service for such period with respect to all Series of Bonds.

"Aggregate Debt Service" means, as of any particular date of computation and with respect to any period, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds.

"Airport" means the Lambert-St. Louis International Airport owned and operated by the City, including all land owned or to be acquired by the City (by lease or otherwise) for purposes of such airport (including, without limitation, noise mitigation and clear zone purposes) and all improvements and facilities in existence and located on any such land, as said Airport may be added to, extended, improved or constructed and equipped.

"Airport Commission" means the existing Airport Commission of the City, or such officer, board or commission of the City who or which may be legally given the powers and duties given to the Airport Commission in existence on the date of the Indenture.

"Airport Consultant" means the airport consultant or airport consulting firm or corporation at times retained by the City pursuant to the Indenture to perform the acts and carry out the duties provided for such Airport Consultant in the Indenture.

"Airport Fiscal Year" means the annual accounting period of the Airport for its general accounting purposes and designated as such by the Airport Commission, which period currently consists of the twelve consecutive calendar months ending the last day of June of any year.

"Annual Budget" means the annual budget of the City (through the Airport Commission) for the Airport, as amended or supplemented from time to time, adopted or in effect for a particular City Fiscal Year as provided in the Indenture.

"Authorized Officer of the City" means the Mayor, Comptroller or Treasurer of the City, or any other officer or employee of the City authorized under the laws of the State of Missouri, the Charter or ordinance by the City to perform specific acts or duties related to the subject matter of the authorization.

"Bond" or "Bonds" means the Series 1984 Bonds, the Series 1992 Bonds, the Series 1993 Refunding Bonds, the Series 1993A Bonds, the Series 1996 Refunding Bonds, the Series 1997 Bonds, the Series 1998 Bonds and any other bond or bonds, as the case may be, authenticated and delivered under and pursuant to the Indenture.

"Bond Counsel" means legal counsel experienced and nationally recognized in matters relating to tax-exempt financing under Sections 103 and 141-150 of the Code.

"Bond Fund" means the Airport Bond Fund established by the Indenture.

"Bondholder" or "Owner of Bonds" or any similar term means any person who will be registered owner of any Bond or Bonds.

"Bond Insurance Policy" means the municipal bond insurance policy issued by the Bond Insurer that guarantees payment of principal and interest on the Series 1998 Bonds.

"Bond Insurer" means each insurance company which has insured the payment of the principal and interest on all or any portion of the Bonds and any successor thereto, and with respect to the Series 1998 Bonds means Financial Guaranty Insurance Company.

"Bond Registrar" means the Trustee and any other bank or trust company organized under the laws of any state or national banking association appointed by the City to perform the duties of Bond Registrar enumerated in the Indenture. The term "Bond Registrar" will also be deemed to include any Co-Registrar appointed pursuant to the Indenture.

"Bond Proceeds" means all amounts received on the sale of a Series of Bonds.

"Capital Budget" means the capital budget of the City (through the Airport Commission) for the Airport, as amended or supplemented from time to time, adopted or in effect for a particular City Fiscal Year as provided in the Indenture.

"Charter" means the Charter of the City as in effect from time to time.

"City Fiscal Year" means the annual accounting period of the City for its general accounting purposes and designated as such in accordance with the Charter of the City, which period currently consists of the twelve consecutive calendar months ending with the last day of June of any year.

"Code" means the Internal Revenue Code of 1986, as amended.

"Contingency Fund" means the Airport Contingency Fund established by the Indenture.

"Construction Fund" means the Airport Construction Fund established by the Indenture.

"Consulting Engineer" means the engineer or engineering firm or corporation at the time retained by the City pursuant to the Indenture to perform the acts and carry out the duties provided for such Consulting Engineers in the Indenture.

"Corporation" means Lambert-St. Louis International Airport Corporation, a Missouri nonprofit corporation.

"Cost of Construction", with respect to the initial Project or an Additional Project, means the City's costs properly attributable to the construction or acquisition thereof. "Cost of Construction" will also include the Costs of Issuance of any Series of Bonds to the extent payable from the Construction Fund pursuant to the Indenture or a Supplemental Indenture.

"Cost of Issuance Account" means the Cost of Issuance Account established with respect to each Series in accordance with the Indenture.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to the City and related to authorization, sale and issuance of any Bonds including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, fees payable in connection with any letter of credit securing all or a portion of the Bonds, financing charges, accrued interest with respect to the initial investment of proceeds of Bonds and any other costs, charge or fee in connection with the original issuance of Bonds.

"Counsel's Opinion" means an opinion of an attorney or firm of attorneys nationally recognized on the subject of tax-exempt municipal financings (who may be counsel to the City) selected by the City and satisfactory to the Trustee.

"Counterparty" means an entity whose senior long-term debt obligations, or whose obligations under an Interest Rate Exchange Agreement, are guaranteed by a financial institution whose senior long term debt obligations have a rating in one of the three highest categories of each of the Rating Agencies.

"Debt Service" for any period means, as of any date of calculation and with respect to any Series of Bonds, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, except to the extent that such interest on the Bonds of such Series is to be paid from deposits (including investment income thereon) in the Debt Service Account made from Bond proceeds or other amounts available therein, and (ii) that portion of each Principal Installment for such Series of Bonds which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there will be no such preceding Principal Installment due date, from the date of issuance of such Series). For the purposes of any projections required by the Indenture, with respect to Variable Rate Bonds, interest will be calculated on the basis of the average interest rate or rates borne on Variable Rate Bonds Outstanding during any consecutive twelve months of the preceding 24 months, except that (i) for the purpose of satisfying the conditions for the issuance of Additional Bonds, if the Variable Rate Bonds are being issued on the date of computation, the rate of interest will be assumed to be 110% of the initial interest rate of such Bonds, and (ii) for the purpose of satisfying the Debt Service Reserve Requirement, if any, the interest rate for any Variable Rate Bonds will be computed at the average interest rate on such Bonds during the preceding Airport Fiscal Year or if not Outstanding during the preceding Airport Fiscal Year, the initial interest rate of such Bonds; provided, however, that no payments required for any Option Bonds, other Bonds or Interest Rate Exchange Agreements which may be tendered or otherwise presented for payment at the option or demand of the owners thereof, or which may otherwise become due by reason of any other circumstance which will not, with certainty, occur during such period, will be included in any computation of Debt Service prior to the stated or theretofore extended maturity or otherwise certain due dates thereof, and all such payments will be deemed to be required on such stated or theretofore extended maturity dates or otherwise certain due dates; and provided, further, however, if the City in a Supplemental Indenture for a Series of Bonds elects to enter into an Interest Rate Exchange Agreement and deem any payments received thereunder as Revenues, Debt Service will include any amounts payable by the City during such interest rate period pursuant to such Interest Rate Exchange Agreement (other than termination payments thereunder).

"Debt Service Account" means the Airport Debt Service Account established within the Bond Fund by the Indenture.

"Debt Service Reserve Requirement" means, as of any date of calculation for the then Outstanding Bonds, unless otherwise specified in a Supplemental Indenture for a particular Series of Bonds, including as particularly specified with respect to the Series 1998 Bonds, an amount which will equal the lesser of: (i) 10% of the proceeds of such Series of Bonds, (ii) 125% of the average annual debt service on such Series of Bonds or (iii) the maximum annual debt service on such Series of Bonds. Such amount for any Series of Bonds may be satisfied by a deposit of cash or a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Principal Installments and/or interest due on any Series of Bonds or provides funds for the purchase of such Bonds or portions thereof, which will be rated in one of the three highest rating categories by the Rating Agency and will permit the full amount thereof to be drawn down at least thirty days prior to the expiration thereof. A Supplemental Indenture for a Series of Bonds may specify that the Debt Service Reserve Requirement may be satisfied by depositing such requirement over time from Revenues monthly in substantially equal amounts which time period will not exceed sixty months from the closing date for such Series, alternatively, a Supplemental Indenture for a Series of Bonds may specify that such Series of Bonds will not have a Debt Service Reserve Requirement, in which event such Series of Bonds will not be entitled to a lien on such account. For the Debt Service Reserve Requirement for the Series 1998 Bonds see "SECURITY FOR THE BONDS - Debt Service Reserve Account" herein.

"Development Fund" means the Airport Development Fund established by the Indenture.

"Director of Airports" means the now existing Director of Airports of the City, or such officer of the City who hereafter may be legally given the powers and duties given to the Director of Airports on the date of the Indenture.

"Event of Default" will have the meaning given to such term in the Indenture.

"Fiduciary" means the Trustee, the Co-Registrar, and any Paying Agent, or any or all of them as may be appropriate.

"Government Securities" means any securities described in clauses (i) and (vii) of the definition of "Investment Securities."

"Indenture" means the Indenture of Trust dated as of October 15, 1984 (the "Original Indenture") authorizing Airport Revenue Bonds of the City, as the same was amended by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Amended and Restated Indenture and the Seventh Supplemental Indenture, and as the same may from time to time be amended or supplemented by a Supplemental Indenture in accordance with the terms thereof.

"Index Interest Rate" means the per annum interest rate set forth in the most recently issued 25-Revenue Bond Index published by The Bond Buyer or, in the event such Index is no longer published, in such comparable index selected by the Trustee.

"Interest Rate Exchange Agreement" means any financial arrangement (i) that is entered into by the City with an entity that is a Counterparty; (ii) which provides that the City will pay to such Counterparty an amount based either on the principal amount or the notional amount equal to the principal amount of all or a portion of a Series of Bonds, and that such Counterparty will pay to the City an amount based on the principal amount of such Series of Bonds, in each case computed in accordance with a formula set forth in such Interest Rate Exchange Agreement, or that one will pay to the other any net amount due under such arrangement; or (iii) the City will be paid by the Counterparty an amount, based either on the principal amount or a notional amount equal to the principal amount of all or any portion of the Variable Rate Bonds of such Series, if the interest rate on such Series of Variable Rate Bonds exceeds a previously agreed upon rate, and/or the City will pay to the Counterparty an amount, based on a notional amount equal to the principal amount of all or any portion of the Variable Rate Bonds of such Series, if the interest rate on such Series of Variable Rate Bonds is less than a previously agreed upon rate; (iv) which has been designated in writing to the Trustee by an Authorized City Representative as an Interest Rate Exchange Agreement with respect to a Series of Bonds and (v) which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on Bonds from gross income for the purposes of federal income taxation.

"Investment Securities" means, subject to the next paragraph and unless otherwise specified in a Supplemental Indenture, and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of the City, including the amendments thereto or hereafter made, or under other applicable law: (i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or the full and timely payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations of any Federal agency to the extent the full and timely payment of the principal of and interest on such obligations are unconditionally guaranteed by the United States of America; (ii) senior debt obligations and mortgage-backed securities issued by Federal Land Banks, Export-Import Bank of the United States, Federal Financing Bank, FNMA (excluding stripped mortgage securities which are purchased at prices exceeding their principal amount), FHLMC (excluding stripped mortgage securities which are purchased at prices exceeding their principal amount), Farmers Home Administration, Federal Housing Administration, Private Export Funding Corporation, Federal Farm Credit System and senior debt obligations and letter of credit-backed issues issued by the Student Loan Marketing Association; (iii) time deposits, certificates of deposit or any other deposit with a bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered or licensed by any state or the U.S. Comptroller of the Currency to accept deposits in such state ("deposits" meaning obligations evidencing deposit

liability which rank at least on a parity with the claims of general creditors in liquidation), which are (a) fully secured by direct obligations of the United States having a market value (exclusive of accrued interest) which will meet the over-collateralization levels and meet the criteria required by each Rating Agency to maintain the rating on the Bonds or (b) secured to the extent, if any, required by each Rating Agency and made with an institution whose debt securities are rated at least equal to the then current rating on the Bonds (or equivalent rating of short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency; (iv) repurchase agreements backed by or related to obligations described in (i) or (ii) above with any institution which will not adversely affect the then current rating on the Bonds by each Rating Agency; (v) investment agreements, secured or unsecured as required by each Rating Agency, with any institution which will not adversely affect the then current rating on the Bonds by each Rating Agency; (vi) if rated at a level which will not adversely affect the then current rating on the Bonds by each Rating Agency, direct and general obligations of or obligations guaranteed by any state or possession of the United States or the District of Columbia, to the payment of the principal of and interest on which the full faith and credit of such state, possession or District of Columbia is pledged; (vii) pre-refunded municipal obligations rated in the highest rating category by each Rating Agency and meeting the following conditions (a) such obligations are: (A) not subject to redemption prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions; (b) such obligations are secured by Investment Securities described in clause (i) above, that may be applied only to interest, principal and premium payments of such obligations; and (c) the principal of and interest on such Investment Securities described in clause (i) above, (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations; (viii) interest-bearing notes issued by a bank having combined capital and surplus of at least \$500,000,000 whose senior debt is rated in the highest rating category of the Rating Agency; (ix) tax-exempt revenue bond obligations of a state, municipality or governmental unit rated at least "A" by each Rating Agency; (x) money market funds registered under the Investment Company Act of 1940, as amended (the "1940 Act") or shares of a diversified open-end management investment company, as defined in the 1940 Act, whose shares are registered under the Securities Act of 1933, as amended, which invests only in securities of the type described in clause (i) or (ii) above and having the highest possible rating from each Rating Agency; (xi) Eurodollar time deposits issued by a bank with a deposit rating in one of the two highest short-term deposit rating categories by each Rating Agency; (xii) long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the three highest rating categories by each Rating Agency; (xiii) short-term corporate debt including commercial paper which is rated in the highest short-term rating category by each Rating Agency, and (xiv) public housing bonds issued by public agencies which are either: (a) fully guaranteed by the United States of America; or (b) temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States of America; or (c) state or public agency or municipality obligations rated in the highest credit rating category by each Rating Agency; provided that it is expressly understood that the definition of Investment Securities will be, and be deemed to be, expanded, or new definitions and related provisions will be added to the Indenture, thus permitting investments with different characteristics from those permitted which the City deems from time to time to be in the interest of the City to include as Investment Securities, if at the time of inclusion such inclusion will not, in and of itself, adversely affect the then current rating on the Bonds. Investment Securities must be limited to those instruments that have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, and if the obligation is rated, it should not have an "r" highlighter affixed to its rating.

Provided, however, as long as the Bond Insurance Policy is in effect and the Bond Insurer is not in default under the Bond Insurance Policy, "Investment Securities" means:

(i) direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee ("Direct Obligations"); (ii) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"), debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt

obligations of the Federal National Mortgage Association ("FNMA's"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMA's"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities; (iii) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation; (iv) commercial paper (having original maturities of not more than 270 days) rated, at time of purchase, "P-1" by Moody's Investors Service and "A-1" or better by Standard & Poor's Corporation; (v) federal funds, unsecured certificates of deposit, time deposits or bankers' acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's Investors Service and a "Short-Term CD" rating of "A-1" or better by Standard & Poor's Corporation; (vi) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation; (vii) investments in money-market funds rated "AAAm" or "AAAm-G" by Standard & Poor's Corporation; (viii) repurchase agreements collateralized by Direct Obligations, GNMA's, FNMA's or FHLMC's with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's Investors Service, and "A-1" or "A-" or better by Standard & Poor's Corporation, provided: (a) a master repurchase agreement or specific written repurchase agreement governs the transaction; and (b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (A) a Federal Reserve Bank, (B) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million or (C) a bank approved in writing for such purpose by Financial Guaranty Insurance Company, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; (c) a perfected first security interest under the Uniform Commercial Code or book entry procedures prescribed at 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* in such securities is created for the benefit of the Trustee; (d) the repurchase agreement has a term of 180 days or less, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (e) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%; and (ix) investment agreements, the issues, form and substance of which are specifically approved by the Bond Insurer; (x) pre-refunded municipal obligations rated in the highest rating category by each Rating Agency and meeting the following conditions (a) such obligations are: (A) not subject to redemption prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions; (b) such obligations are secured by Investment Securities described in clause (i) above, that may be applied only to interest, principal and premium payments of such obligations; and (c) the principal of and interest on such Investment Securities described in clause (i) above, (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations; and (xi) tax-exempt revenue bond obligations of a state, municipality or governmental unit rated at least "AA" by each Rating Agency.

"Net Revenues" means the Revenues less Operation and Maintenance Expenses.

"Original Indenture" means the Indenture of Trust between the City and the Trustee dated October 15, 1984.

"Operation and Maintenance Expenses" means the City's expenses for operation, maintenance, repairs, ordinary replacement and ordinary reconstruction of the Airport, including a reasonable reserve for uncollectible Revenues, and will include, without limitation, administrative and overhead expenses, insurance premiums, deposits for self-insurance, legal, engineering, consulting, accounting or other professional service expenses, union contributions, payments to pension, retirement, group life insurance, health and hospitalization funds, or other employee benefit funds, costs of rentals of equipment or other personal property, costs of rentals of real property, costs incurred in collecting and attempting to collect any sums due the City in connection with the operation of the Airport, and any other expenses required to be paid by the City under the provisions of this Indenture or by laws or consistent with standard practices for airports similar to the properties and business of the Airport and applicable in the circumstances, including, without limitation, an allocable share of administrative personnel costs incurred by the City at locations other than the Airport in connection with the operations of the Airport, and the expenses, liabilities and compensation of the fiduciaries required to be paid under this Indenture, all to the extent properly attributable to the Airport. "Operation and Maintenance Expenses" will not include any capital development cost or any allowance for depreciation or any operation or maintenance costs for Special Facilities where the lessee is obligated under its Special Facilities lease to pay such expenses.

"Operation and Maintenance Fund" means the Airport Operation and Maintenance Fund established by the Indenture.

"Option Bond" means any Bond which by its terms may be tendered for payment by and at the option of the owners thereof prior to the stated maturity thereof, or the maturities of which may be extended at the option of the owners thereof.

"Outstanding" or "outstanding", when used with reference to Bonds, means as of a particular date, all Bonds theretofore and thereupon being authenticated and delivered under the Indenture except as otherwise provided therein.

"Outstanding Obligation" means the negotiable interest bearing revenue bonds of the City issued pursuant to the Outstanding Obligations Ordinances and which are described in the Indenture.

"Outstanding Obligations Ordinances" means the Ordinances of the City pursuant to which the Outstanding Obligations were issued and which are described in the Indenture.

"Partially Amortizing Bonds" will mean a Series of Bonds providing for principal payments such that: (i) the principal and interest coming due in the final year exceeds by more than 25% the amount coming due in any prior year; and (ii) the principal amount payable in the year ending on the final maturity date of such Series will not exceed the lesser of (a) 75% of the original principal amount of such Series or (b) the amount that would have been Outstanding on the day prior to the final maturity date of such Bonds if the Bonds of such Series had required level debt service payments (with interest payable at the Index Interest Rate) over the period beginning on the first principal payment date of such Series and ending on the anniversary of the final maturity date of such Series next occurring before the date which is 25.5 years after their issuance.

"Paying Agent" or "Paying Agents" means the Trustee or any other bank or banks or trust company or trust companies designated by the City as paying agent for the Bonds of any series and its successor or successors hereafter appointed in the manner provided for in the Indenture.

"Principal Installment" means, as of the date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in the Indenture) of any Sinking Fund Installments due on a certain future date for Bonds

of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

"Project" means the capital projects to be financed with the proceeds of the Outstanding Obligations in accordance with the Outstanding Obligations Ordinances and which are to be completed subsequent to the issuance of the Series 1984 Bonds and the improvement, purchase, acquisition, construction and enlargement of the facilities, appurtenances and equipment described on Schedule I of the First Supplemental Indenture, the Second Supplemental Indenture and the Fourth Supplemental Indenture, as such Schedule is modified from time to time in accordance with the Indenture.

"Rating Agency" or "Rating Agencies" means, with respect to the Bonds or any Series of Bonds, Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Investors Service, L.P., to the extent that any of such rating services have issued a credit rating on the Bonds which is in effect at the time in question or, upon discontinuance of any of such rating services, such other nationally recognized rating service or services, if any such rating service has issued a credit rating on the Bonds at the request of the City and such credit rating is in effect at the time in question.

"Redemption Price" means, with respect to any Series 1998 Bond, the amount payable upon redemption thereof pursuant to the Seventh Supplemental Indenture.

"Renewal and Replacement Fund" means the Airport Renewal and Replacement Fund established by the Indenture.

"Revenues" means all revenues collected by the City relating to, from or with respect to its possession, management, supervision, operation and control of the Airport, including all rates, charges, landing fees, rentals, use charges, concession revenues, revenues from the sale of services, supplies or other commodities, any investment income realized from the investment of amounts in the Revenue Fund, and any other amounts deposited into the Revenue Fund. Revenues will not include: (a) any revenue or income from any Special Facilities, except ground rentals therefor or any payments made to the City in lieu of such ground rentals and the revenue or income from Special Facilities which are not pledged to the payment of Special Facilities Indebtedness, (b) any moneys received as grants, appropriations or gifts from the United States of America, the State of Missouri or other sources, the use of which is limited by the grantor or donor to the planning or the construction of capital improvements, including land acquisition, for the Airport, except to the extent any such moneys will be received as payment for the use of the Airport, (c) any Bond proceeds and other money (including investment earnings) credited to the Construction Fund for the financing of capital improvements to the Airport, (d) any interest earnings or other gain from investment of moneys or securities in any escrow or similar account pledged to the payment of any obligations therein specified in connection with the issuance of Refunding Bonds or the defeasance of any Series of Bonds in accordance with Section 1301 hereof, (e) any consideration received by the City upon transfer of the Airport pursuant to Section 809(E) of the Original Indenture, (f) interest income on, and any profit realized from, the investment of moneys in (i) the Construction Fund or any other construction fund funded from proceeds of Bonds or (ii) the Debt Service Account or the Debt Service Reserve Account if and to the extent there is any deficiency therein; (g) any passenger facility charge or similar charge levied by or on behalf of the Airport against passengers or cargo, including any income or earnings thereon, unless and to the extent all or a portion thereof are designated as Revenues by the City in a Supplemental Indenture; (h) insurance proceeds which are not deemed to be Revenues in accordance with generally accepted accounting principles (other than proceeds that provide for lost revenue to the Airport for business interruption or business loss); (i) the proceeds of any condemnation or eminent domain award; (j) the proceeds of any sale of land, buildings or equipment; (k) any money received by or for the account of the Airport from the levy of taxes upon any property in the City; and (l) amounts payable to the City under an Interest Rate Exchange Agreement unless and to the extent designated as Revenues by the City in a Supplemental Indenture.

"Revenue Fund" means the Airport Revenue Fund established by the Indenture.

"Series" means all Bonds, including Additional Bonds, authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

"Series 1984 Bonds" means the Airport Revenue Bonds, Series 1984, Lambert-St. Louis International Airport in the original aggregate principal amount of \$167,095,000 and authorized to be issued pursuant to the Indenture.

"Series 1992 Bonds" means the Airport Revenue Improvement and Refunding Bonds, Series 1992, Lambert-St. Louis International Airport in the original principal amount of \$109,125,000 and authorized to be issued pursuant to Article B of the Second Supplemental Indenture.

"Series 1993 Refunding Bonds" means the Taxable Airport Revenue Refunding Bonds, Series 1993, Lambert-St. Louis International Airport in the original principal amount of \$121,720,000 authorized to be issued pursuant to Article B of the Third Supplemental Indenture.

"Series 1993A Bonds" means the Taxable Airport Revenue Bonds, Series 1993A, Lambert-St. Louis International Airport authorized to be issued pursuant to Article II of the Fourth Supplemental Indenture.

"Series 1996 Refunding Bonds" means the Airport Revenue Bonds, Series 1996, Lambert-St. Louis International Airport authorized to be issued pursuant to the Fifth Supplemental Indenture.

"Series 1997 Bonds" means the Series 1997A Bonds and the Series 1997B Bonds.

"Series 1997A Bonds" means the Airport Revenue Bonds, Series 1997A (Capital Improvement Program), Lambert-St. Louis International Airport in the original aggregate principal amount of \$40,420,000 and authorized to be issued pursuant to Article II of the Sixth Supplemental Indenture.

"Series 1997B Bonds" means the Airport Revenue Bonds, Series 1997B (Capital Improvement Program), Lambert-St. Louis International Airport in the original aggregate principal amount of \$159,185,000 and authorized to be issued pursuant to Article II of the Sixth Supplemental Indenture.

"Series 1998 Bonds" means the Airport Revenue Refunding Bonds, Series 1998, Lambert-St. Louis International Airport authorized to be issued under the Seventh Supplemental Indenture.

"Special Facilities" means those capital improvements or facilities acquired or constructed after the date of the Indenture and described therein.

"Special Facilities Indebtedness" means any indebtedness issued by the City or any other public corporation or public instrumentality to finance Special Facilities in accordance with the Special Facilities covenant, described in the Indenture.

"Subordinated Indebtedness" means any evidence of debt referred to in, and complying with the provisions of the Indenture regarding Subordinated Indebtedness.

"Trustee" means UMB Bank of St. Louis, N.A., as successor trustee.

"Variable Rate Bond" means any Bond, the rate of interest on which is subject to change prior to maturity and cannot be determined in advance of such change; provided, however, as long as the Bond Insurance Policy is in effect and the Bond Insurer is not in default under the Bond Insurance Policy, for all purposes, variable rate indebtedness shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation,

or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer "Revenue Bond Index" (or comparable index if no longer published) plus 50 basis points, or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

Issuance of the Bonds

The Indenture authorizes the issuance of one or more series of Bonds for the purpose of advance refunding the Outstanding Obligations, financing, together with the other funds available for such purpose, the Cost of Construction of the Project or any Additional Project, refunding any Outstanding Bonds, Subordinated Indebtedness, Special Facilities Indebtedness, funding any Funds or Accounts established pursuant to the Indenture or any combination of the foregoing. The Indenture authorizes the issuance of Variable Rate Bonds on such terms as will be provided in a Supplemental Indenture authorizing a Series of Bonds. Each such Series of Bonds will be designated as "Airport Revenue Bonds." (Original Indenture, Section 303; First Supplemental Indenture, Section 201; Second Supplemental Indenture, Section 201; Third Supplemental Indenture, Section 201; Fourth Supplemental Indenture, Section 201; Fifth Supplemental Indenture, Section 201; Sixth Supplemental Indenture, Section 201; and Seventh Supplemental Indenture, Section 201).

The Indenture authorizes the issuance of one or more Series of Additional Bonds for the purpose of paying the Cost of Construction of the completion of the Project and all or a portion of the Cost of Construction of any Additional Project. The issuance of Additional Bonds is subject to certain conditions and tests, including, but not limited to:

(1) Net Revenues for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the authentication and delivery of such series of Additional Bonds equalled at least 1.25 times the Aggregate Adjusted Debt Service for such 12-month period.

(2) The estimated Net Revenues determined by the Airport Consultant during each of the three Airport Fiscal Years following the Airport Fiscal Year in which the Project or any Additional Project is estimated to be completed is at least equal to 1.25 times the Aggregate Debt Service, as estimated by the Authorized Officer, with respect to future Series of Bonds, if any, which such Authorized Officer will estimate (based on the estimate of the Consulting Engineers of the Cost of Construction for the Project or any such Additional Project and utilizing the Index Interest Rate) will be required to complete payment of the Cost of Construction of the Project or any Additional Project. (Original Indenture; Section 304)

Each Series of Bonds will be issued in accordance with the provisions of the Indenture. With respect to Bonds of each Series which bear interest at a rate fixed to maturity, a Supplemental Indenture may specify the interest payment date or dates, which dates may vary within each Series of Bonds, the record dates, the interest rate or rates (including Bonds issued at a premium or at a discount from par), which interest rate may vary within each maturity and within each Series of Bonds, the date of maturity for such Bonds, the manner of determining such rate or rates, the authorized denominations thereof, the provisions regarding optional and mandatory redemption of Bonds, provisions for deposits to be made into the Debt Service Reserve Account, if any, in whole or periodically over time, and dated dates for a Series of Bonds and such other related provisions as may be set forth in such Supplemental Indenture. With respect to Variable Rate Bonds, a Supplemental Indenture may specify the interest payment dates, the record dates, the interest rate determination date, the date for maturity of such Bonds, dated dates for a Series of Bonds, the authorized denominations thereof, the interest rate mode or modes, the provisions with respect to conversion from one interest rate mode to an alternative interest rate mode, and provisions regarding optional and mandatory tender of Bonds for purchase and such other related provisions as may be set forth in such Supplemental Indenture. (Original Indenture, Section 302; Seventh Supplemental Indenture, Exhibit A).

Refunding Bonds

The Indenture authorizes the issuance of one or more Series of Refunding Bonds for the purpose of refunding (i) all Outstanding Bonds of one or more Series or one or more maturities within a Series, (ii) any Subordinated Indebtedness, or (iii) any Special Facilities Indebtedness, in each case in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds under the Indenture required by the provisions of the Supplemental Indenture, authorizing such Bonds and determining the terms and details thereof.

The issuance of Refunding Bonds is subject to the conditions, among others, that either (i) the Aggregate Debt Service and the Aggregate Adjusted Debt Service for the then current and each future Airport Fiscal Year is not increased by such refunding, or (ii) the conditions and tests respecting the issuance of Additional Bonds are to be met.

The issuance of Bonds to refund Subordinated Indebtedness or Special Facilities Indebtedness is subject to, among others, substantially the same conditions and tests to which the issuance of Additional Bonds is subject. (Original Indenture, Section 305)

Pledge Effected by the Indenture

The Bonds are secured by a pledge of, and the Bondholders are granted an express lien on (i) the proceeds of the sale of the Bonds, (ii) Revenues which exclude the proceeds of any passenger facility or analogous charge or fee approved by the Federal Aviation Administration that has been or may be levied which are received and retained by the Airport), and (iii) all Funds established by the Indenture, including the investments, if any, thereof, subject, in all cases, to the rights of holders of the Outstanding Obligations pursuant to the Outstanding Obligations Ordinances and to the Revenues of the Airport and the provisions of the Indenture permitting the application of the proceeds of the sale of the Bonds and the Revenues for the purposes and on the terms and conditions set forth in the Indenture. Pursuant to the Second Supplemental Indenture, the City ratified and confirmed its pledge under the Original Indenture and in addition granted the Trustee for the benefit of the Bondholders a security interest in the proceeds of the sale of the Series 1992 Bonds. Pursuant to the Third Supplemental Indenture, the City ratified and confirmed its pledge under the Original Indenture and in addition granted the Trustee for the benefit of the Bondholders a security interest in the proceeds of the sale of the Series 1993 Refunding Bonds. Pursuant to the Fourth Supplemental Indenture, the City ratified and confirmed its pledge under the Original Indenture and in addition granted the Trustee for the benefit of the Bondholders a security interest in the proceeds of the sale of the Series 1993A Bonds. Pursuant to the Fifth Supplemental Indenture, the City ratified and confirmed its pledge under the Original Indenture and in addition granted the Trustee for the benefit of the Bondholders a security interest in the proceeds of the sale of the Series 1996 Refunding Bonds. Pursuant to the Sixth Supplemental Indenture, the City ratified and confirmed its pledge under the Original Indenture and in addition granted the Trustee for the benefit of the Bondholders a security interest in the proceeds of the sale of the Series 1997 Bonds. Pursuant to the Seventh Supplemental Indenture, the City ratified and confirmed its pledge under the Original Indenture and in addition granted the Trustee for the benefit of the Bondholders a security interest in the proceeds of the sale of the Series 1998 Bonds. (Original Indenture, Granting Clauses and Section 501; First Supplemental Indenture, Granting Clauses; Second Supplemental Indenture, Granting Clauses; Third Supplemental Indenture, Granting Clauses; Fourth Supplemental Indenture, Granting Clauses; Fifth Supplemental Indenture, Granting Clauses; Sixth Supplemental Indenture, Granting Clauses; Seventh Supplemental Indenture, Granting Clauses.)

Establishment of Funds

The Indenture establishes the following Funds as Funds of the City:

<u>Fund</u>	<u>Held By</u>
Airport Construction Fund, including the Airport Construction Account and therein, a Cost of Issuance Account	City
Airport Revenue Fund	City
Airport Operation and Maintenance Fund	City
Airport Bond Fund, including the Debt Service Account and the Debt Service Reserve Account	Trustee
Airport Renewal and Replacement Fund	City
Airport Development Fund	City
Airport Contingency Fund	City

(Original Indenture, Section 502; Fourth Supplemental Indenture, Section 208; Fifth Supplemental Indenture, Section 403; Seventh Supplemental Indenture, Section 401)

Construction Fund

The Indenture establishes the Construction Fund and therein a separate account or accounts for the Projects relating to the Outstanding Obligations, the Project relating to the Series 1992 Bonds, the Project relating to the Series 1993A Bonds, the Project relating to the Series 1997 Bonds, the Project relating to the Series 1998 Bonds and for each Additional Project the costs of which are to be paid in whole or in part out of the Construction Fund.

Application of Funds

All Revenues as received will be deposited by the City into the Revenue Fund, from which the City, each month, will make withdrawals for deposit in the following Funds in the following order of priority the amounts set forth below:

(1) To the Operation and Maintenance Fund, an amount sufficient to pay the estimated Operation and Maintenance Expenses during the next month;

(2) To the Bond Fund for credit to the Debt Service Account, if and to the extent required so that the balance in said Account will equal the Accrued Aggregate Debt Service on the Bonds;

(3) To the Bond Fund for credit to the Debt Service Reserve Account, an amount sufficient to maintain a balance in such Account equal to the Debt Service Reserve Requirement; provided, however, no deposit in the Debt Service Reserve Account will be required to the extent the amount therein equals or exceeds the Debt Service Reserve Requirement and in the event the amount in the Debt Service Reserve Account is reduced below the amount otherwise required

therein, such amount will be replenished immediately from other available funds as provided in the Indenture, or if such funds are not sufficient for such purposes at the earliest practicable date from Revenues received following such reduction. To the extent that a deficiency exists in the Debt Service Reserve Account, such deposits to the Bond Fund will be made in the order of priority indicated:

(a) To the Bond Fund for credit to the Debt Service Reserve Account, there will be deposited, at least monthly, to the Debt Service Reserve Account for a Series of Bonds an amount at least equal to 1/60 of the Debt Service Requirement for such Series of Bonds until the amount on deposit in the Debt Service Reserve Account will equal the Debt Service Reserve Requirement. The Debt Service Reserve Requirement will be cumulative and the amount of any deficiency in any month will be added to the amount otherwise required to be deposited to the credit of such Debt Service Reserve Account in each month thereafter until time as such deficiency will be remedied;

(b) To the Bond Fund for credit to the Debt Service Reserve Account, there will be deposited, at least monthly to the Debt Service Reserve Account for a Series of Bonds an amount equal to 1/12 of the deficiency attributed to a draw (or diminution in stated principal) upon a financial instrument as specified in the definition of Debt Service Reserve Requirement, deposited into the Debt Service Reserve Account until the principal amount (or available amount) of such financial instrument, either singularly, or in combination with amounts on deposit therein, is equal to the Debt Service Reserve Requirement if and only if such amounts are attributable to such Series of Bonds; and

(c) To the Bond Fund for credit to the Debt Service Reserve Account, there will be deposited to the Debt Service Reserve Account as soon as practicable (but not later than thirty days from the date of such deficiency), the full amount of any deficiency in the Debt Service Reserve Account, which is attributable to a decline in the market value of Investment Securities on deposit therein until such securities and any cash therein will equal the Debt Service Reserve Requirement;

(4) To the Renewal and Replacement Fund, an amount to be determined by the City, from time to time; provided that, no deposit will be required to be made into said Fund whenever and as long as uncommitted moneys in said Fund are equal to or greater than amounts as the City will determine necessary, from time to time, for the purposes of said Fund; and provided further that, if any such monthly allocation to said Fund will be less than the required amount, the amount of the next succeeding monthly payments will be increased by the amount of such deficiency;

(5) To a sub-account in the Revenue Fund, an amount determined from time to time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport Fiscal Year, the balance in such sub-account will equal at the end of such Airport Fiscal Year the amounts payable to the City with respect to such Airport Fiscal Year pursuant to the Indenture; and

(6) The remaining balance in the Revenue Fund will be deposited into the Development Fund.

As soon as practicable after the end of each Airport Fiscal Year and except as otherwise provided in the Indenture and subject to the satisfaction of the conditions set forth therein, after all deposits required to be made into each of the aforesaid Funds have been made, the City will transfer from the sub-account established by the Indenture within the Revenue Account to the general revenue fund of the City, an amount equal to five percent (5%) of the Revenues (excluding, however, from Revenues, for this purpose only, investment income and other non-operating income of the Airport) during the Airport Fiscal Year then last ended; provided, however, for all periods subsequent to July 1, 1996, the applicable percentage of Revenues (as determined above) will equal the

percentage of the gross revenues required to be paid to the City by public utilities operating within the City, such percentage currently being ten percent.

The amount payable to the general revenue fund of the City pursuant to the preceding paragraph may be paid in advance in monthly installments so long as (i) such amount is included in the rate base utilized to determine rates and charges payable by air carriers which utilize the Airport and (ii) each such monthly installment will not exceed the lesser of one-twelfth (1/12) of eighty percent (80%) of the total amount paid to the City pursuant to such clause in respect of the prior Airport Fiscal Year or (2) eighty percent of the amount deposited in such month in the sub-account in the Revenue Account in respect of the amounts payable pursuant to the preceding paragraph. If the amount paid in advance to the City pursuant to this Section prior to the end of the Airport Fiscal Year will exceed the amount specified herein, the City will promptly transfer to the Revenue Fund the amount of such excess. (Original Indenture, Section 504;)

To the extent that the City has determined not to deem payments received from a Counterparty under an Interest Rate Exchange Agreement to be Revenues, the City may, if set forth in a Supplemental Indenture for a Series of Bonds, make payments due under an Interest Rate Exchange Agreement (other than termination payments thereunder) from amounts on deposit in the Development Fund and the Renewal and Replacement Fund. (Sixth Supplemental Indenture, Attachment A, Section 22)

Description of Funds Established by the Indenture

Operation and Maintenance Fund. Amounts in the Operation and Maintenance Fund will be paid out from time to time by the City for reasonable and necessary Operation and Maintenance Expenses. Amounts in said Fund which the City at any time determines to be in excess of the requirements of such Fund will be transferred into the Revenue Fund and applied in accordance with the provisions of the Indenture regarding the application of Revenues. (Original Indenture, Section 505)

Bond Fund-Debt Service Account. The Trustee will pay out of the Debt Service Account to the respective Paying Agents (1) the amount required for the interest payable on or before each interest payment date for any of the Bonds; (2) the amount required for the Principal Installment payable on or before each Principal Installment due date; and (3) the amount required for the payment of interest on the Bonds then to be redeemed on or before the day preceding any redemption date for the Bonds. (Original Indenture, Section 506)

Bond Fund-Debt Service Reserve Account. If, on the final business day of any month the amount in the Debt Service Account will be less than the amount required to be in such account pursuant to the Indenture, the Trustee will apply amounts from the Debt Service Reserve Account to the extent necessary to make good such deficiency or deficiencies. Whenever the moneys on deposit in the Debt Service Reserve Account will exceed the Debt Service Reserve Requirement, the Trustee, at the direction of an Authorized Officer of the City, will allocate and apply the amount of such excess in the same manner as Revenues pursuant to the Indenture. If, as of June 30 of each year, the amount in any Account in the Debt Service Reserve Account exceeds the applicable Debt Service Reserve Requirement after giving effect to any letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Principal Installments and/or interest due on any Series of Bonds, deposited in such Account, the Trustee will, on the first business day of the following Airport Fiscal Year, withdraw from such Account the amount of any excess therein over the applicable Debt Service Reserve Requirement as of the date of such withdrawal for deposit into (i) the Arbitrage Rebate Fund, the amount estimated by the City to be required by the Code to be rebated to the Department of the Treasury, if any, and (ii) the Revenue Fund, the amount of any excess then remaining in the Debt Service Reserve Account over the applicable Debt Service Reserve Fund Requirement. If the amount in any Account in the Debt Service Reserve Account is less than the applicable Debt Service Reserve Requirement and to the extent that such deficiency has not been made up within 12 months with respect to a deficiency resulting from a draw on the Debt Service Reserve Account by deposits pursuant to Section 504 (A)(3) or to the extent there has

been a deficiency resulting from a decline in market value, the City will immediately deposit such amounts as will be necessary to cure such deficiency. (Original Indenture, Section 507;)

Renewal and Replacement Fund. Money in the Renewal and Replacement Fund may be applied to pay costs of the renewal or replacement of machinery, equipment, rolling stock, facilities or other capital items used in connection with the operation of the Airport. If at any time the moneys in the Debt Service Account, the Debt Service Reserve Account, the Development Fund and the Contingency Fund will be insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, will transfer from the Renewal and Replacement Fund to the Trustee for deposit in the Debt Service Account the amount necessary to make up such deficiency. If at any time the moneys in the Operation and Maintenance Fund and the Contingency Fund will be insufficient to pay Operation and Maintenance Expenses when due, the City will transfer from the Renewal and Replacement Fund to the Operation and Maintenance Fund the amount necessary to make up such deficiency. (Original Indenture, Section 508)

Development Fund. Moneys in the Development Fund may be applied, in accordance with the Capital Budget or otherwise, at the discretion of the City, to the acquisition of land or easements for the expansion or improvement of the Airport, to purchase items of machinery, equipment, rolling stock or other capital items for use in connection with the Airport, to pay the cost of planning, engineering, design and construction of new facilities for the Airport, or to pay the cost of any other capital improvements to the Airport. If at any time the moneys in the Debt Service Account, Debt Service Reserve Account and the Contingency Fund will be insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, will transfer from the Development Fund to the Trustee for deposit in the Debt Service Account the amount necessary to make up such deficiency. If at any time the moneys in the Operation and Maintenance Fund, the Renewal and Replacement Fund and the Contingency Fund will be insufficient to pay Operation and Maintenance expenses when due, the City will transfer from the Development Fund to the Operation and Maintenance Fund the amount necessary to make up such deficiency. The City may use amounts on deposit in the Development Fund to make payments pursuant to an Interest Rate Exchange Agreement by transferring such amounts to the Debt Service Account of the Bond Fund or as otherwise specified in a Supplemental Indenture for such Series of Bonds. The City may, but if and only to the extent consistent with the Capital Budget, transfer from the Development Fund to the Contingency Fund any moneys in the Development Fund which are no longer needed for the purposes of moneys on deposit in the Development Fund. (Original Indenture, Section 509; Sixth Supplemental Indenture, Attachment A, Section 19.)

Contingency Fund. If at any time the moneys in the Debt Service Account and the Debt Service Reserve Account will be insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, will transfer from the Contingency Fund to the Trustee for deposit in the Debt Service Account the amount necessary to make up such deficiency or deficiencies. If at any time the moneys in the Operation and Maintenance Fund will be insufficient to pay Operation and Maintenance Expenses when due, the City will transfer from the Contingency Fund to the Operation and Maintenance Fund the amount necessary to make up such deficiency. Amounts in the Contingency Fund not required to meet a deficiency as required above, may, at the discretion of the City, be applied to any one or more of the following purposes:

1. the purchase or redemption of any Bonds, and expenses in connection with the purchase or redemption of any such Bonds;
2. payments of principal or redemption price of and interest on any Subordinated Indebtedness;
3. improvements, extensions, betterments, renewals, replacements, repairs, maintenance or reconstruction of any properties or facilities of the Airport or the provision of one or more reserves therefor; and

4. any other corporate purpose of the City in connection with the Airport, the local airport system or other local facilities which are owned or operated by the City and directly related to the actual transportation of passengers or property. (Original Indenture, Section 510)

Subordinated Indebtedness

Nothing contained in the Indenture will prohibit or prevent, or be deemed, or construed, to prohibit or prevent, the City from issuing bonds, notes, certificates, warrants or other evidence of indebtedness payable as to principal and interest from the Revenue Fund and the Net Revenues subject and subordinate to the deposits and credits required to be made therefrom to the Debt Service Account, Debt Service Reserve Account, the Renewal and Replacement Fund or from securing such bonds, notes, certificates, warrants or other evidences of indebtedness and the payment thereof by a lien and pledge on the Net Revenues junior and inferior to the lien and pledge on the Net Revenues created by the Indenture for the payment and security of the Bonds. Prior to the issuance of any Subordinated Indebtedness, the City will furnish to the Trustee a Certificate of the City that estimated Net Revenues available after payment of Debt Service of Outstanding Bonds for each of the subsequent three (3) Fiscal Years following the fiscal year in which it is estimated that the Project or any Additional Project will be completed will be at least equal to 1.10 times debt service on outstanding Subordinated Indebtedness plus debt service on Subordinated Indebtedness projected to be issued. The principal amount of any such Subordinated Indebtedness will, by its terms, not be subject to acceleration upon default unless and until the principal amount of the Bonds has been accelerated pursuant to the Indenture. (Original Indenture, Section 511; Sixth Supplemental Indenture, Attachment A, Section 20)

Investment of Certain Funds

Moneys held in the Debt Service Account and the Debt Service Reserve Account will be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities which mature not later than such times as will be necessary to provide moneys when needed for payments to be made from such Fund and Accounts, and in the case of the Debt Service Reserve Account not later than 15 years (unless such securities will be redeemable at the option of the holder thereof, in which event such securities may mature at a date no later than the final maturity date of the Bonds). The Trustee will make such investment in accordance with any instructions received from an Authorized Officer of the City. The Trustee, upon notice to and written consent of an Authorized Officer of the City, may make any and all such investments through its own bond department or the bond department of any bank or trust company under common control with the Trustee.

Moneys in the Revenue Fund and the Construction Fund may be invested by the City in Investment Securities which mature not later than such time as will be necessary to provide moneys when needed to provide payments from such Funds. Moneys in the Operation and Maintenance Fund may be invested by the City in Investment Securities which mature within 12 months and moneys in the Development Fund, the Renewal and Replacement Fund and the Contingency Fund may be invested in Investment Securities which mature within 5 years, and in any case not later than such time as will be necessary to provide moneys when needed for payment from such respective Funds.

Earnings on any moneys on investments on all Funds and Accounts established under the Indenture will be deposited in the Revenue Fund, except that earnings on the moneys or investments in the Construction Fund will, to the extent expressly required by the terms of any Supplemental Indenture authorizing the issuance of a Series of Bonds, be retained in the Construction Fund. (Original Indenture, Section 703)

Particular Covenants of the City

Indebtedness and Liens. The City will not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, payable out of or secured by a pledge of the Revenues or the moneys, securities of funds held or set aside by the City or by the Fiduciaries under the Indenture and will not create or cause to be created any lien or charge on the Revenues or such moneys, securities or funds; provided, however, that nothing

contained in the Indenture will prevent the City from issuing Subordinated Indebtedness, as provided in the Indenture. (Original Indenture, Section 808)

Sales, Lease or Encumbrance of Property. The City covenants not to sell or otherwise dispose of or encumber any part of the Airport, except property which, in the opinion of the Airport Commission and the Airport Consultant, is no longer necessary or useful in the operation thereof, and except as provided in the Indenture with respect to Special Facilities. In addition, the City may lease or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the Airport if such lease, contract, license or easement or right does not impede or restrict the operation by the City of the Airport for Airport purposes. Proceeds from the sale or disposition of property not used to replace such property and any such payments with respect to a lease, contract, license, easement or right not otherwise required to be applied in accordance with the Indenture will be applied in the same manner and to the same purpose as Revenues.

The Indenture expressly permits the transfer (by sale, lease or otherwise) of all or a substantial part of the Airport if the principal of and interest on the Bonds are paid in full; the Bonds are defeased in accordance with the Indenture; or the transferee assumes all obligations of the City under the Indenture and in the Bonds and if, in the case of such assumption: (1) in the written opinions of the Director of Airports and the Airport Consultant, after giving effect to such transfer and assumption, the ability of the transferee to meet the rate maintenance and other covenants thereunder and the security for the Bonds are not materially and adversely affected, (2) the City will have furnished the Trustee with a Counsel's Opinion to the effect that such transfer will not adversely affect the tax-exempt status of interest on the Bonds under the Code and (3) such transferee will expressly agree not to use the Funds held under the Indenture otherwise than as provided in the Indenture. In the event of any such transfer and assumption, nothing in the Indenture will prohibit or prevent the retention by the City of any facility of the Airport if, in the written opinions of the Director of Airports and the Airport Consultant, such retention will not materially and adversely affect the security for the Bonds, nor unreasonably restrict the transferee's ability to comply with the rate maintenance and other covenants thereunder. Any consideration received by the City from the transferee of all or a substantial part of the Airport will not constitute "Revenues" under the Indenture or be subject to the terms and provisions of the Indenture. The terms and conditions of the transfer of all or a substantial part of the Airport pursuant to Section 809 of the Original Indenture will be set forth in a Supplemental Indenture executed by the City, the Trustee and the transferee and notice of such transfer will be given to the Bondholders in accordance with the Indenture. (Original Indenture, Section 809)

Rates and Charges. The City will, at all times while any Bonds will be Outstanding, establish, fix, prescribe and collect such rates, fees, rentals and other charges for the use of the Airport as will be reasonably anticipated to provide in each Airport Fiscal Year an amount so that the Revenues will be sufficient to pay the Aggregate Debt Service for such Airport Fiscal Year and to provide the funds necessary to make the required deposits in and maintain the several Funds and Accounts established in the Indenture, and in any event, as will be required to pay or discharge all indebtedness, charges and liens whatsoever payable out of Revenues under the Indenture. (Original Indenture, Section 811)

Insurance. So long as any Bonds are Outstanding the City will at all times carry insurance or cause insurance to be carried, including the City as an insured as its interest may appear, with a responsible insurance company or companies authorized and qualified under the laws of any state of the United States of America to assume the risk thereof, covering such properties of the Airport as are customarily insured, and against loss or damage from such causes as are customarily insured against, by public or private corporations engaged in a similar type of business, all in accordance with the annual written recommendations of the Insurance Consultant.

Any proceeds of insurance for the Airport will be paid into the Construction Fund during the period of Construction, and thereafter will, to the extent necessary and desirable, be applied to the repair and replacement of any damaged or destroyed properties of the Airport. If any of said proceeds received are not used or committed for use with respect to the repair or replacement of Airport property within twenty-four months of receipt, such proceeds will be paid into the Development Fund. (Original Indenture, Section 812)

Airport Consultant. The City will employ an Airport Consultant from time to time whenever and for the purposes contemplated by the Indenture. Such Airport Consultant will be an airport consultant or airport consultant firm or corporation having a wide and favorable reputation for skill and experience with respect to the operation and maintenance of airports, in recommending rental and other charges for use of airport facilities and in projecting revenues to be derived from the operation of airports. (Original Indenture, Section 814)

Budget. The City agrees to prepare and file annually with the Trustee at the beginning of each City Fiscal Year an Annual Budget setting forth the ensuing City Fiscal Year in reasonable detail, among other things, estimated Revenues, estimated Operation and Maintenance Expenses, reasonably anticipated unusual and extraordinary expenses, and deposits into each of the Funds established under the Indenture. The City may at any time adopt an amended Annual Budget for the remainder of the then current City Fiscal Year.

At least every five (5) City Fiscal Years the City agrees to prepare and file with the Trustee a Capital Budget for the Airport for the ensuing five (5) City Fiscal Years. The Capital Budget will set forth in reasonable detail the anticipated necessary or appropriate major capital improvements and the anticipated source of funds for the payment of such Costs. The City may at any time and from time to time adopt an amended Capital Budget for the remainder of the five (5) City Fiscal Years covered thereby and will promptly file any such amendment with the Trustee. The Annual Budget, Capital Budget and any amendments thereto will be available at the offices of the Trustee for inspection by the Bondholders. (Original Indenture, Section 816)

Accounts and Reports. The City will keep or cause to be kept proper books of record and accounts of the Airport in which complete and correct entries will be made of its transactions relating to the Revenues, each Fund and Account established under the Indenture and which will at all times be subject to the inspection of the Trustee and the Owners of an aggregate of not less than 5% in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

The City will annually cause an audit to be made of its books and accounts relating to the Airport for such Airport Fiscal Year by an independent and recognized certified public accountant or firm of independent certified public accountants not in the regular employ of the City. Promptly thereafter reports of each audit will be filed with the Trustee, each Bond Insurer and each rating agency, if any, maintaining a credit rating on any of the Bonds. Each such Audit Report will set forth with respect to such Airport Fiscal Year: (i) a statement of financial condition of the Airport as of the end of such Airport Fiscal Year and the related statement of revenues and expenses for the Airport Fiscal Year then ended, (ii) a summary with respect to each Fund and Account established under the Indenture of the receipts therein and disbursements therefrom; (iii) the details of all Bonds issued, paid, purchased or redeemed, (iv) the amounts on deposit at the end of such Airport Fiscal Year to the credit of each Fund and Account established under the Indenture; (v) the amounts of the proceeds received from any sales of property constituting part of the Airport; and (vi) a list of all insurance policies with respect to the Airport or certificates thereof then held by the City or the Trustee.

The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Indenture will be available for the inspection of the Bondholders at the office of the Trustee and will be mailed to each Bondholder who will file a written request therefor with the City. The City may charge each Bondholder requesting such reports, statement and other documents, a reasonable fee to cover reproduction, handling and postage. (Original Indenture, Section 817)

Special Facilities. The City or any other public corporation or public instrumentality will be authorized to finance from the proceeds of obligations, other than Bonds issued by the City or such public corporation or public instrumentality which are not payable from Revenues, capital improvements or facilities to be located in any property included under the definition of Airport ("Special Facilities") without regard to any requirements of the Indenture with respect to the issuance of Additional Bonds, provided

- (1) Such obligations are payable solely from rentals or other charges derived by the City or such other public corporation or public instrumentality under a lease, sale or other agreement

entered into between the City or such other public corporation or public instrumentality and the person, firm or corporation which will be utilizing the Special Facilities to be financed.

(2) The estimated rentals, payments or other charges (including interest earnings on air reserves) to be derived by the City or such other public corporation or public instrumentality from the lease, sale or other agreement with respect to the Special Facilities to be financed will be at least sufficient to pay the principal of and interest on such obligations, all costs of operating and maintaining such Special Facilities and all sinking fund, reserve or other payments required by the resolution, ordinance or indenture securing such obligations.

(3) The construction and operation of the Special Facilities to be financed will not decrease the Revenues presently projected to be derived from the Airport.

(4) In addition to all rentals, payments or other charges with respect to the Special Facilities to be financed, a fair and reasonable rental for the land upon which said Special Facilities are to be constructed will be charged by the City, and said ground rent will be deemed Revenues derived from the Airport.

The Indenture further provides that the above provisions will not be applicable to or otherwise be deemed to limit the right of the City or any other public corporation or public instrumentality to finance the expansion, relocation or other improvement of any airline aviation fueling facilities or in-flight meal preparation facilities located at the Airport on October 15, 1984. (Original Indenture, Section 821)

Defaults and Remedies

If one or more of the following events ("Events of Default") will happen, that is to say:

(A) if default will be made in the due and punctual payment of the principal of or Redemption Price of any Bond, whether at maturity or by call for redemption, or otherwise, or in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor when and as such interest installment or Sinking Fund Installment will become due and payable;

(B) if default will be made by the City in the performance or observance of the covenants, agreements and conditions on its part in establishing, fixing, prescribing and collecting rates, fees, rentals and other charges for the use of the Airport in order that in each Airport Fiscal Year the Revenues will be sufficient to pay the Aggregate Debt Service for such year and to provide the funds necessary to make the required deposits in and maintain the several Funds and Accounts established in the Indenture, and in any event, as will be required to pay or discharge all indebtedness, charges and liens whatsoever payable out of the Revenues under the Indenture; provided, however, a failure by the City to comply with the foregoing covenant will not constitute an event of default hereunder if, (i) within four (4) months of the end of the most recently completed Airport Fiscal Year, the City will retain the Airport Consultant for the purpose of making recommendations with respect to the operations of the Airport and the sufficiency of its rates, fees, rentals and other charges, (ii) the Airport Consultant will make the required recommendations to the City within seven months of the end of such Airport Fiscal Year and file same with the Trustee; and (iii) the City will diligently and in good faith follow the recommendations of the Airport Consultant;

(C) if default will be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Indenture or in the Bonds and such default will continue for a period of sixty days after written notice thereof to the City by the Trustee or to the City and to the Trustee by the Owners of not less than twenty-five percent in principal amount of the Bonds Outstanding; provided, however, that if such failure will be such

that it can be corrected but cannot be corrected within such sixty day period, it will not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected;

(D) if the City will file a petition seeking a composition of indebtedness under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State of Missouri;

(E) if judgment for the payment of money will be rendered against the City as the result of the construction, improvement, ownership, control or operation of the Airport, and any such judgment will not be discharged within twenty-four (24) months after the entry thereof, or an appeal will not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment will have been granted or entered, in such manner as to set aside or stay the execution of or levy under such judgment, or order, decree or process or the enforcement thereof; or

(F) if an order or decree will be entered, with the consent or acquiescence of the City, appointing a receiver or receivers of the Airport or any part thereof, or other revenues therefrom, or if such order or decree having been entered without the consent or acquiescence of the City, will not be vacated or discharged, stayed or appealed within ninety (90) days after the entry thereof;

then and in each and every such case, so long as such Event of Default will not have been remedied, unless the principal of all the Bonds will have already become due and payable, either the Trustee may (by notice in writing to the City), and upon written request of the Owners of not less than twenty-five percent in principal amount of the Bonds Outstanding (by notice in writing to the City and the Trustee) will, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and be immediately due and payable, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding.

The right of the Trustee to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds will have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the City under the Indenture (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) will either be paid by or for the account of the City or provision satisfactory to the Trustee will be made for such payment, and all defaults under the Bonds or under the Indenture (other than the payment of principal and interest due and payable solely by reason of such declaration) will be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will be made therefor, then and in every such case the Owners of fifty-one percent (51%) in principal amount of the Bonds Outstanding, by written notice to the City and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee will have acted itself, and if there will not have theretofore delivered to the Trustee written direction to the contrary by the Owners of fifty-one percent in principal amount of the Bonds then Outstanding, then any such declaration will ipso facto be deemed to be rescinded and any such default and its consequences will ipso facto be deemed to be annulled, but no such rescission and annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

If an Event of Default will happen and will not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Owners of not less than twenty-five percent in principal amount of the Bonds Outstanding or the Bond Insurers will proceed, to protect and enforce its rights and the rights of the Owners of the Bonds under the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power therein granted, or for an accounting against the City as if the City were the trustee of an express trust, or

in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, will deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

The Owners of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee will have the right to decline to follow any such direction if the Trustee will be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith will determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee will have power to, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding, or the Bond Insurer, and furnished with reasonable security and indemnity, will be under no obligation to, institute and maintain such suits and proceedings as it may be advised will be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised will be necessary or expedient to preserve or protect its interests and the interest of the Bondholders. (Original Indenture, Sections 901 and 904)

Rights and Remedies of Bondholders

No Owner of any Bond will have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such Owner will have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least twenty-five percent in principal amount of the Bonds then Outstanding will have filed a written request with the Trustee, and will have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the laws of the State of Missouri or to institute such action, suit or proceeding in its own name, and unless such Owners will have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee will have refused to comply with such request for a period of thirty days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds. (Original Indenture, Section 905)

Waiver of Events of Defaults

Prior to the declaration of maturity of the Bonds as provided in the Indenture, the Owners of at least fifty-one percent in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds waive any past default under the Indenture and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Bonds. No such waiver will extend to any subsequent or other default or impair any right consequent thereon. (Original Indenture, Section 907)

Rights of Bond Insurers upon Default

All actions required or permitted to be taken under the Indenture upon the occurrence of an Event of Default by the Owners of any Bonds insured by a Bond Insurer may be taken by such Bond Insurer without any action being taken by such Owner. Any action taken by such Bond Insurer will be deemed to be the action taken by such Owner for purposes of the Indenture. (Original Indenture, Sections 901 and 907)

Supplemental Indentures

For any one or more of the following purposes at any time or from time to time, a Supplemental Indenture of the City may be adopted, which, upon the execution and delivery thereof by the Trustee will be fully effective in accordance with its terms:

- (1) To close the Indenture against, or provide limitations and restrictions to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;
- (2) To add to the covenants and agreements of the City in the Indenture, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (3) To add to the limitations and restrictions in the Indenture, other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (4) To provide for the issuance of bearer Bonds and interest coupons and establish appropriate exchange privileges and notice requirements in connection therewith with respect to any Bonds issued or to be issued under the Indenture;
- (5) To authorize Bonds of a Series or to determine the terms and details thereof and, in connection therewith, specify and determine the matters and things referred to in the Indenture, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;
- (6) To confirm, as further assurance, any pledge under, and the subject to any lien or pledge created or to be created by, the Indenture, of the Revenues, or of any other moneys, securities or funds;
- (7) To modify any of the provisions of the Indenture in any respect whatever, provided that (i) the effective date of such modification will be, and expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Indenture will cease to be Outstanding, and (ii) such Supplemental Indenture will be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;
- (8) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture; or
- (9) To insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect.

At any time or from time to time, a Supplemental Indenture may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of the Indenture, which Supplemental Indenture, upon the execution and delivery thereof by the Trustee and upon compliance with the provisions of the Indenture, will become fully effective in accordance with its terms as provided in the Indenture.

Any modification or amendment of the Indenture and of the rights and obligations of the City and of the Owners of the Bonds thereunder, in particular, may be made by a Supplemental Indenture, with the written consent given as provided in the Indenture (i) of the Owners of at least fifty-one percent in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least fifty-one percent in principal

amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Indenture. No such modification or amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or Sinking Fund Installment or any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bonds, or will reduce the percentages or otherwise affect the classes of Bonds the consent of the owners of which is required to effect any such modification or amendment.

The terms and provisions of the Indenture and the rights and obligations of the City and of the Owners of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the City of a Supplemental Indenture and the consent of the Owners of all the Bonds then Outstanding.

The consent of the Owner of any Bond which is entitled to the benefits of a Bond Insurance Policy issued by a Bond Insurer will not be effective unless the Trustee will have received a written consent of such Bond Insurer. For purposes of certain provisions of the Indenture, certain actions required or permitted to be taken thereunder by the owners of any Bonds may be taken by such Bond Insurer without any action being taken by the owners thereof. Any action taken by such Bond Insurer will be deemed to be the action taken by such owners. (Original Indenture, Sections 1101, 1102, 1202, 1204, 1207; Sixth Supplemental Indenture, Attachment A, Section 21)

Discharge of Lien of the Indenture

If the City will pay or cause to be paid, or there will otherwise be paid, to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of any Net Revenues, and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the City to the Bondholders, will thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments for payment or redemption of which moneys will have been set aside and will be held in trust by the Paying Agents (through deposit by the City of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in the Indenture. All Outstanding Bonds of any Series will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed above if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City will have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in the Indenture notice of redemption of such Bonds on said date; (ii) there will have been deposited with the Trustee either moneys in an amount which will be sufficient, or Government Securities the principal of and the interest on which when due will provide money which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal or premium, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, and all necessary and proper fees, compensation and expenses of the Trustee and Paying Agents pertaining to the Bonds with respect to which such deposit is made will have been paid or the payment thereof provided for to the satisfaction of the Trustee and Paying Agents, respectively, as the case may be; and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the City will have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, to the Owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds.

Anything in the Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if

such moneys were held by the Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, will, unless otherwise provided by law, at the written request of the City, be repaid by the Fiduciary to the City, as its absolute property and free from trust, and the Fiduciary will thereupon be released and discharged with respect thereto and the Bondholders will look only to the City for the Payment of such Bonds; provided, however, that before being required to the City and the Fiduciary will, at the expense of the City, cause to be mailed to the Owner of each unpaid Bond, at the address of such Owner as set forth on the Bond register maintained by the Trustee, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date will not be less than forty-five days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the City. (Original Indenture, Section 1301)

AIRLINE USE AGREEMENTS AND OTHER LEASES

The following is, in part, a summary of certain provisions of the Airline Use Agreements (the "Use Agreements") and certain other Airport leases and is qualified in its entirety by references to such documents.

General

The principal certificated air carriers ("Certificated Airlines") and the City originally entered into commercial airlines/airport use agreements as of August 1, 1965 ("Use Agreements"). The Use Agreements were amended for each of the Certificated Airlines in 1975 and 1977. A Third Amendatory Agreement was executed by each of the Certificated Airlines in 1981. There were eight Certificated Airlines that were parties to the Third Amendatory Agreement (American, Delta, Eastern, Northwest, Continental, TWA, USAir and Ozark). The TWA Third Amendatory Agreement differs from those of the other Certificated Airlines in that it provides for the lease by TWA of the Concourse C extension at a rental rate determined separately from the rental rate for existing concourse space, but uses the same methodology. Use Agreements with the same terms and conditions have subsequently been executed by Southwest Airlines, Trans States Airlines (d/b/a Trans World Express), United Airlines and America West.

The Airport entered into a Fourth Amendatory Agreement with Ozark in 1983 pursuant to which Ozark leased Concourse D at the Airport. TWA succeeded to Ozark's obligations under the Fourth Amendatory Agreement. The contract rate for this space is determined separately from the rental rate for other concourse space, but uses the same rate methodology. In addition, TWA is obligated to reimburse the City for the cost of certain tenant improvements on the southeast concourse (specifically, loading bridges and baggage conveyance equipment). Such reimbursement is in the form of a tenant improvement surcharge based on depreciation and interest costs related to the City's investment in these improvements.

In 1995, the City entered into a First Southwest Airlines Co. Amendatory Agreement relating to East Terminal Expansion, whereby Southwest leases, on a preferential use basis, the twelve gates and the majority of the airline ticketing, office, baggage make-up and operations space which will be available as part of the East Terminal Expansion. Southwest is required to pay a rental rate per square foot which includes depreciation and interest comparable to the other Airport terminal facilities, actual maintenance and operating costs averaged over all terminal and concourse space and an allocation of the Airport's deferred maintenance charges.

Separate cargo leases were executed with five Certificated Airlines -- American, Delta, Republic (Republic's obligations under its cargo lease were assumed by Northwest Airlines), TWA and USAir as authorized by the City in 1981, and in 1980 with Southwest.

TWA Reorganizations and the Airline Agreements

On January 31, 1992, TWA filed for protection under Chapter 11 of the United States Bankruptcy Code. On August 12, 1993, the Bankruptcy Court for the District of Delaware entered an order confirming the Plan of Reorganization of TWA ("First Reorganization Plan"). Under the confirmation order, TWA assumed the 1965

Airport Use Agreement, Cargo Leases, Hangar/Office Building Lease and several other related leases and space permits between the City and TWA. The First Reorganization Plan provided for the City's purchase of all of TWA's leasehold interests and improvements, and related real and personal property at or near the Airport for a purchase price of approximately \$70 million. In addition, the First Reorganization Plan provided for the amendment ("Use Amendment 1993") of the 1965 Airport Use Agreement to give the City the right to take back underutilized facilities. On November 3, 1993, TWA's First Reorganization Plan became effective. The closing of the purchase transaction was held on December 14, 1993.

A number of leases and agreements with the City have been affirmed and amended by TWA under its First Reorganization Plan of Reorganization. TWA executed agreements and amendments to a number of leases, licenses and agreements as described in this Section, and listed below:

- Use Agreement
- Use Amendment 1993 and its First Amendment
- Cargo Leases
- Cargo Use Amendment and its First Amendment
- Hangar/Office Building Lease and Use Amendment 1993
- Flight Training Center Lease (new agreement)
- Equipment Operating Lease and its First Amendment (new agreements)

On June 30, 1995, TWA filed a second petition for protection under Chapter 11 of the United States Bankruptcy Code. On August 23, 1995, the Missouri Bankruptcy Court's order confirming the Plan of Reorganization of TWA ("Second Reorganization Plan") became effective. All of TWA's leases, licenses and agreements with the City were assumed by TWA in the Second Reorganization Plan.

Use Agreements

Purpose. The Use Agreements grants the signatory air carriers the specified exclusive and non-exclusive uses of the airfield, the terminal building, the concourses and related facilities for the business of air transportation with respect to persons, property, cargo and mail. TWA's Use Agreement has been substantially modified by Use Amendment 1993 which is described below.

Term. Each of the Use Agreements expires on December 31, 2005, unless earlier terminated or extended in accordance with its terms.

Calculation of Use Agreement Revenues. The Certificated Airlines have agreed to pay the following amounts in consideration of the use of the Airport by such Certificated Airlines and the agreement by the City to make certain capital improvements thereto and provide maintenance of Airport facilities:

- (1) **Landing Fees.** Landing fees are payable monthly in an amount equal to an agreed upon price per one thousand pounds of maximum approved aircraft landing weight for all revenue landings at the Airport. The landing fee rate is determined as of January 1 of each year by dividing the estimated landing area expenses for the ensuing year (after deducting estimated landing fees from airfield users other than the scheduled Certificated Airlines) by the estimated total weight in one thousand pound units of all aircraft of the Certificated Airlines that are parties to the Use Agreements in such year. Estimated landing expense is calculated pursuant to a formula that takes into account operation and maintenance expense (including deferred maintenance), depreciation and interest costs of investments relating to the landing area.

After calendar year end, the actual revenues and expenses are compared to projections and carriers are assessed or reimbursed pro rata for deficiencies or excess in the previous year.

(2) Terminal Building and Concourse Rentals. Terminal building and concourse rentals are payable monthly at an agreed upon rate per square foot of terminal and concourse space made available for the exclusive or common use of each Certificated Airline. The rental rate is determined by agreement every two years (but pursuant to an informal agreement with the Signatory Airlines, the City determines the rental rate annually), except during the final three years of the lease term, and is based upon an allocation of the estimated expenses for the operation and maintenance (including deferred maintenance), depreciation and interest costs of investments relating to the terminal building and the concourses. The rental rate is also adjusted for each rate period to reflect deficiencies or excesses that occurred during the preceding rate period.

(3) Miscellaneous. The City receives rent for the use by the Certificated Airlines of sanitary disposal facilities and the airline employee parking lots. The City also charges the Certificated Airlines for certain utilities and for the reimbursement of tenant improvements financed by the City.

Maintenance of Airport Facilities. The City is generally obligated to operate, maintain and keep in repair the landing area and those portions of the terminal building, concourses and other structures that are not, by contract, the responsibility of the airlines for their operation, maintenance and repair.

Airfield Improvement and Terminal Expansion and Improvement Program. Capital expenditures by the City affecting the terminal building and concourse rental rates for the Airport require the prior approval of a majority-in-interest ("MII") of the scheduled Certificated Airlines (defined as Certificated Airlines that had more than 50% of the aggregate revenue aircraft weight that landed during the preceding year, but in no event less than 50% of the number of Certificated Airlines that are parties to the Use Agreements), unless the capital expenditure is (i) required by an appropriate federal or state agency, (ii) of an emergency nature, or (iii) in an amount less than \$100,000 for any single item and the aggregate thereof does not exceed \$500,000 in any rate adjustment period (such amounts to be adjusted for inflation). Failure to receive approval precludes use of said expenditures in the calculation of rental rates. The City is not required to obtain MII approval for terminal and concourse projects if the recovery of the project costs is not included in terminal and concourse rental rates.

Capital expenditures in the airfield area (with the exception of the Airport's existing noise mitigation program) that in the aggregate increase landing fees by more than two cents per thousand pounds of maximum approved landing weight in any calendar year require the prior approval of a MII, unless the capital expenditure is (i) required by an appropriate federal or state agency, (ii) of an emergency nature, (iii) the subject of a final judgment rendered by a court of competent jurisdiction, or (iv) financially self-sustaining and as such will not increase landing fees payable by the scheduled airlines. Failure to receive approval precludes the inclusion of costs associated with such expenditures in the calculation of landing fees payable by the scheduled airlines.

Damage or Destruction. The City is obligated to repair or replace with due diligence Airport facilities occupied or used by the Certificated Airlines that are damaged by fire, the elements, public enemy or other casualty, but not rendered untenable. If the damage renders such facility untenable and not capable of being repaired within thirty days, the facility may, at the City's option, be repaired by the City or abandoned, provided that the City furnishes replacement facilities if required by the Certificated Airlines. In any event, each Certificated Airline is entitled to rent abatement for any period in which any facility occupied or used by it is untenable or unusable.

Cancellation by City. Provision is made for the City to cancel the Use Agreement to which any Certificated Airline is a party by giving sixty days' advance written notice upon or after the happening of any of the following events:

- (1) such Certificated Airline files a voluntary bankruptcy petition or is adjudicated bankrupt;

- (2) a court takes jurisdiction of the Certificated Airline and its assets pursuant to proceedings under any Federal reorganization act;
- (3) a receiver is appointed for any of such Certificated Airline's assets;
- (4) such Certificated Airline's interest in the Use Agreement is divested by operation of law;
- (5) such Certificated Airline abandons the conduct of air transportation at the airport; or
- (6) such Certificated Airline defaults in the performance of its obligation under the Use Agreement and such default continues for sixty days.

The City does not have the right to cancel a Use Agreement for the failure or refusal by an Certificated Airline to pay any fees or rentals if within thirty days of nonpayment, such Certificated Airline gives written notice to the City that such failure or refusal is in good faith predicated upon either (i) any provision of the Use Agreements that grants such Certificated Airline a reduction in or abatement of fees or rentals, or (ii) the performance by the Certificated Airline of obligations of the City if the Use Agreement provides that the Certificated Airline will be entitled to deduct from fees and rentals otherwise owing by it the reasonable cost of such performance.

Cancellation by Certificated Airline. Prior to the stated expiration date of a Use Agreement, and so long as the Certificated Airline is not in default in its payments to the City thereunder, each Certificated Airline has the right to cancel the Use Agreement to which it is a party, in whole or only insofar as it relates to the terminal building or certain other buildings, and terminate all or any of its obligations thereunder by giving the City sixty days advance written notice upon or after the happening of any of the following events:

- (1) the Federal Aviation Administration fails or refuses to permit such Certificated Airline to operate to or from the Airport with any type of aircraft that such Certificated Airline may reasonably desire to operate to or from the Airport;
- (2) the termination of such Certificated Airline's obligation or right to carry the United States mail or passengers to, from or through the St. Louis metropolitan area or its environs;
- (3) the designation of any other airport in substitution for the Airport, the failure or refusal to designate the Airport, or the withdrawal of designation of the Airport by the United States Postal Service or any other competent government authority as a terminal point for the St. Louis metropolitan area and its environs for the receiving and dispatching of the United States Air Mail;
- (4) the issuance of an injunction in any way preventing or restraining the use of the Airport or any part thereof for airport purposes if such injunction remains in force for ninety days;
- (5) the inability of such Certificated Airline to use the Airport for a period in excess of ninety days by reason of any law, any act of governmental authority, acts of God or the public enemy;
- (6) the default by the City with respect to its covenants in the Use Agreements if such default continues to be unremedied for a period of sixty days after receipt of written notice thereof; or
- (7) the assumption by the United States Government or any agency thereof of the operation, control or use of the Airport so as to substantially restrict such Certificated Airline's use thereof for a period of at least ninety days.

Suspension and Abatement. If the City's operation of the Airport or any Certificated Airline's operation at the Airport is restricted substantially by action of the federal, state or local government, or any agency thereof, then the City or such Certificated Airline has the right, upon written notice to the other party, to a suspension of such carrier's Use Agreement and an abatement of a just proportion of (i) the services and facilities to be afforded to such carrier and (ii) the payments owing under the Use Agreement.

Assignment and Subletting. The Certificated Airlines may not assign their rights under the Use Agreements or sublet any of the leased premises without the written consent of the City, which consent may not be unreasonably withheld. No such consent is required in the case of an assignment by a Certificated Airline of its rights under a Use Agreement to any corporation with which such Certificated Airline may merge or consolidate, or that may succeed to the business of such Certificated Airline.

TWA's Use Amendment 1993 and its First Amendment

TWA and the City executed Use Amendment 1993 which amended the terms of TWA's Use Agreement. The Use Agreement 1993 provides that:

(1) The 57 gates and terminal support facilities that TWA is currently using at the Airport are subject, under certain circumstances, to reassignment by the City. So long as TWA has, during any term of the Use Amendment 1993, an average of not less than 190 regularly scheduled daily departures (including flights of airlines affiliated with TWA through merger, consolidation, joint venture, code-sharing and other successors and assigns, but not including any commuter carriers), which is an average of 3.33 daily regularly scheduled flight departures per gate, it will have the right to use all 57 gates and all of its terminal support facilities. If during any month, TWA has an average of less than 190 regularly scheduled daily flight departures or maintains less than 3.33 regularly scheduled daily flight departures per gate, the City has the right to redesignate gates and terminal support facilities to other airlines so that TWA would retain use of only that number of gates resulting in an average of 3.33 regularly scheduled daily flight departures per gate.

(2) The term is month-to-month with automatic renewals through December 31, 2005, unless the City exercises the right to cancel due to one of the following conditions:

(a) Non-payment of rentals, fees, charges or other moneys due to the City from TWA thirty days after notice from the City that such amounts are due and payable;

(b) Total cessation of TWA's air passenger operations at the Airport for a period of more than twenty days, unless due to acts or omissions of the City, labor strikes, lockouts, fire or other casualty, governmental action, weather, acts of God or other force majeure occurrences;

(c) Failure of TWA to (i) maintain its current domestic operations offices in the City or St. Louis County, Missouri, (ii) relocate and maintain its St. Louis area reservations center in the City, and (iii) to maintain at the Airport its administrative offices and facilities, except in an event of a business combination with any other entity in which TWA or its operations do not remain the dominant entity or division.

(3) In the case of any TWA default other than those set forth above, the City may cancel only after written notice of default to TWA and a thirty day cure period, or if such cure will reasonably require more than thirty days to complete, and TWA will have failed to commence such cure within thirty days and completed such cure within a reasonable time, and then only pursuant to the statutes and laws of the State of Missouri.

(4) Under Use Amendment 1993, TWA agreed to pay to the City (a) each and every rent, fee and charge previously payable under the Use Agreement and (b) an asset use charge for the use of certain assets formerly owned by TWA and sold to the City of approximately \$652,000 per month.

(5) TWA may designate its use of gates and terminal support facilities to other airlines affiliated with TWA through merger, consolidation, joint venture, code-sharing arrangements and other successors and assigns, so long as (a) TWA's hub operation at the Airport is not materially changed and (b) such designated uses are subject to the Use Amendment 1993. TWA will not permit any non-affiliated airline to use the gates or terminal support facilities without written permission of the City.

Cargo Leases

Purpose. The Cargo Leases granted the Certificated Airlines the right to use air cargo facilities constructed by the Airport in connection with their air transportation businesses. TWA's Cargo Leases have been substantially modified by the Cargo Use Amendment as described below.

Term. The term of each Cargo Lease terminates as of December 31, 2005, unless earlier terminated or extended in accordance with the terms of such Cargo Lease.

Rent. The monthly rentals to be paid under the Cargo Leases are composed of three elements:

- (1) Ground Rental - a pro rata share of the ground cost, including land rent, maintenance expense, depreciation and interest expense.
- (2) Facilities Rental - a pro rata share of the building cost, including maintenance, depreciation, interest expense and deferred maintenance.
- (3) Tenant Improvements Rental Surcharge - a pro rata share of tenant improvements, including depreciation and interest expense.

Maintenance of Cargo Buildings. The City is responsible for the structural maintenance of the cargo buildings and the maintenance of all commonly used roadways, automobile parking lots, utility lines, sewer lines, exterior lighting and perimeter fencing. The Certificated Airlines are responsible for the maintenance of the interior premises and all utilities. The Certificated Airlines are also responsible for all taxes and insurance coverage, other than insurance for fire and extended coverage, vandalism and malicious mischief, which are maintained by the City.

Cancellation by City. In the event of a Certificated Airline's default under its Cargo Lease and the expiration of the applicable cure period, the City may elect to terminate the Certificated Airline's rights under the Cargo Lease and re-enter and take possession of the leased premises, without prejudice to any rights the City may have to enforce such Certificated Airline's obligations under the Cargo Lease. In addition, provision is made for the City to terminate the Cargo Lease if the Certificated Airline files a petition in bankruptcy or is adjudged bankrupt or insolvent, if a receiver of the Certificated Airline's interest in the leased premises is appointed, if the Certificated Airline makes an assignment for the benefit of its creditors or if any proceedings are commenced to foreclose any mortgage or other lien on the Certificated Airline's property and such proceedings are not vacated, dismissed or stayed within sixty days of such filings.

Cancellation by Certificated Airline. A Certificated Airline may, at any time, cancel its Cargo Lease and terminate all or any of its obligations thereunder upon or after the happening of any one of the following events, so long as the Certificated Airline is not in default in the payment of any rental, fees or charges to the City thereunder and so long as the Certificated Airline gives the City sixty days prior written notice:

(1) Action by the Federal Aviation Administration that prevents the Certificated Airline from operating in or out of the Airport with aircraft for a period of at least ninety days;

(2) The issuance of an injunction in any way preventing or restraining for a period of at least ninety days the use of the leased premises so as to affect substantially the Certificated Airline's use of the Airport in its conduct of an air transportation system at the Airport; provided that such injunction is not due to any fault or action of the Certificated Airline or to the Certificated Airline's operation at the Airport;

(3) The suspension for more than ninety days or substantial modification or revocation of the operating authority of the Certificated Airline to service the City;

(4) A default by the City under the Cargo Lease if such default continues for a period of sixty days after receipt of written notice thereof;

(5) The assumption by the federal government or any agency thereof of the operation, control or use of the Airport or any substantial part thereof, so as to restrict substantially the Certificated Airline for a period of at least ninety days from operating its air transportation system.

Termination for Government Use. In the event of a taking, by condemnation or otherwise, of a Certificated Airline's leased premises or any material part thereof by the government, the City may elect to terminate the Cargo Lease. If such taking materially interferes with the Certificated Airline's use of the leased premises, which interference cannot be substantially remedied by furnishing substitute facilities, the Certificated Airline may elect to terminate the Cargo Lease.

Assignment and Subletting. The Certificated Airlines may not assign their rights under the Cargo Leases or sublet any of the leased premises without the written approval of the City. No such approval is required for an assignment by Certificated Airline of its rights under its Cargo Lease to any corporation with which such Certificated Airline may merge or consolidate, or that may succeed to the business of such Certificated Airline. In addition, no such approval is required for any Certificated Airline to allow another party to use portions of its leased premises if such use is connected with service provided by the Certificated Airline to such other party.

TWA's Cargo Use Amendment and its First Amendment

On November 4, 1993, TWA and the City executed a Cargo Use Amendment which adopts, amends and continues the terms of TWA's Cargo Leases. On December 14, 1993, TWA and the City executed the First Amendment to Cargo Use Amendment which specified the amount of the Asset Use Charge. Some of the more significant amendatory provisions are as follows:

(1) The term is month-to-month with automatic renewals through December 31, 2005, subject to the City's right to cancel for any of the following reasons:

(a) The City may immediately cancel for (i) non-payment of rentals, fees, charges or other moneys due the City from TWA thirty days after notice from the City that such amounts are due and payable, (ii) total cessation of TWA's air passenger operations at the Airport for a period of more than twenty days, unless due to acts or omissions by the City, labor strikes, lockouts, fire or other casualty, governmental action, weather, acts of God or other *force majeure* occurrences, (iii) a default by TWA under any other lease or use agreement, or (iv) failure of TWA to (A) relocate, and, during each term, maintain its current domestic operations offices from Mt. Kisco, New York to the City or St. Louis County, Missouri with relocation to occur within twelve months of the effective date of the Cargo Use Amendment, (B) relocate, and, during each term,

maintain TWA's St. Louis area reservations center in the City with relocation to occur within twelve months of the effective date of the Cargo Use Amendment, and (C) during each term, maintain at the Airport, TWA's current administrative offices and facilities, provided, however, that TWA may relocate its domestic operations offices, reservations center and administrative offices and facilities in the event of a business combination with any other entity in which TWA does not remain the dominant entity.

(b) The City may otherwise cancel upon a default under the Cargo Lease or other principal agreement only after written notice of default to TWA and a thirty day cure period, and then only pursuant to the statutes and laws of the State of Missouri.

(2) TWA pays the City each month, in addition to all rents, fees and charges payable under the Cargo Lease, an Asset Use Charge of \$7,698.11 per month.

TWA's Hangar/Office Lease and Use Amendment 1993

The City and Ozark entered into a Lease Agreement for hangar/office facilities (Hangar/Office Lease) on July 8, 1963, which lease was assigned to TWA with the consent of the City. The Hangar/Office Lease, which was twice amended, provided for the leasing of 26.494 acres of land upon which Ozark built an aircraft hangar and later constructed an office building addition. Ozark had two options to extend the term of the Hangar/Office Lease beyond November 12, 1992, by 12 years and 10 years, respectively, to an end date of November 12, 2014. The rent payable by TWA to the City under the lease is \$17,572 per month for the land. On December 14, 1994, TWA conveyed to the City title to the Hangar/Office Building and other improvements on the site, and TWA and the City executed the Hangar/Office Lease Use Amendment 1993 on substantially the same terms and conditions as described above, except that:

(1) The term is month-to-month with automatic renewals through December 31, 2005, unless the City exercises its right to cancel for (a) non-payment of rentals, fees, charges or other moneys due City from TWA thirty days after notice from the City that such amounts are due and payable, or (b) total cessation of TWA's air passenger operations at the Airport for a period of more than twenty days, unless due to acts or omissions of the City, labor strikes, lockouts, fire or other casualty, governmental action, weather, acts of God or other *force majeure* occurrences. In the case of any default other than nonpayment by TWA the City may cancel the Hangar/Office Lease only after written notice of default to TWA and a thirty day cure period, and then only pursuant to the statutes and laws of the State of Missouri.

(2) TWA pays the City each month, in addition to all rents, fee and charges payable under the Hangar/Office Lease, an Asset Use Charge of \$28,509.11 per month.

TWA's Flight Training Center Lease

On December 14, 1993, the City and TWA executed the Flight Training Center Lease. The City also purchased TWA's fee interest in 7.38 acres of land located at 11495 Natural Bridge Road, Bridgeton, St. Louis County, Missouri, on which exists a four-story masonry and steel commercial building with a gross floor area of 165,550 sq. ft. This facility is used by TWA as a Flight Training Center and contains flight simulators for B-767 and L-1011 aircraft as well as classrooms and office space.

Appendix B

Information Concerning The City of St. Louis, Missouri

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APPENDIX B

INFORMATION CONCERNING THE CITY OF ST. LOUIS, MISSOURI

The information contained in this Appendix relates to and has been obtained from The City of St. Louis, Missouri (the "City"). The delivery of this Official Statement will not create any implication that there has been no change in the affairs of the City since the date hereof or that the information contained or incorporated by reference in this Appendix is correct as of any time subsequent to its date.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE BONDS, EITHER AS TO PRINCIPAL, PREMIUM (IF ANY) OR INTEREST.

ORGANIZATION AND GOVERNMENT

General

The City is located on the Mississippi River, the eastern boundary of the State of Missouri, just below its confluence with the Missouri River. The City occupies approximately 61.4 square miles of land, and its area has remained constant since 1876. The City, a constitutional charter city not a part of any county, is organized and exists under and pursuant to its Charter and the Constitution and the laws of the State of Missouri.

The City is popularly known as the "Gateway to the West," due to its central location and historical role in the nation's westward expansion. Commemorating this role is the 630-foot stainless steel Gateway Arch, the world's tallest man-made monument, which is the focal point of the 86-acre Jefferson National Expansion Memorial on the downtown riverfront.

Government

The City's system of government is provided for in its Charter, which first became effective in 1914 and has subsequently been amended from time to time by the City's voters.

The Mayor, elected for a four-year term, is the chief executive officer of the City. The Mayor appoints most department heads, municipal court judges and various members of the City's boards and commissions. The Mayor possesses the executive powers of the City, which are exercised by the boards, commissions, officers and departments of the City under his general supervision and control.

The Comptroller is the City's chief fiscal officer and is elected at large for a four-year term. The Comptroller is, by Charter, Chairman of the Department of Finance for the City and also has broad investigative audit powers over City departments and agencies. The Comptroller also has administrative responsibility for all of the City's contracts, financial departments and accounting procedures.

The legislative body of the City is the Board of Aldermen. The Board of Aldermen is comprised of 28 Aldermen and a President. One Alderman is elected from each of the City's 28 wards to serve a four-year term, one-half of which wards elects Aldermen biennially. The President of the Board of Aldermen is elected at large to serve a four-year term. The President is the presiding officer of the Board of Aldermen.

The Board of Aldermen may adopt bills or ordinances, which the Mayor may either approve or veto. Ordinances may be enacted by the Board of Aldermen over the Mayor's veto by a two-thirds vote.

The Board of Estimate and Apportionment is primarily responsible for the finances of the City. The Board of Estimate and Apportionment is comprised of the Mayor, the Comptroller and the President of the Board of Aldermen.

For more detailed information regarding the responsibilities of the Board of Estimate and Apportionment, see "FINANCIAL MANAGEMENT AND EXPENDITURES CONTROLS -- Budget Process" herein.

While most governmental functions of the City are controlled by the Mayor, the Comptroller, the Board of Estimate and Apportionment and the Board of Aldermen, the appointment of certain officials, whose decisions may also affect the City as a whole, including the members of the Board of Police Commissioners (the "Police Board"), and the Board of Election Commissioners, is made by the Governor of the State of Missouri. The Sheriff, Treasurer, Collector of Revenue, License Collector, Circuit Clerk, Circuit Attorney and Recorder of Deeds of the City are elected independently for four-year terms.

The City provides a wide range of municipal and county services, including police and fire protection, non-commercial refuse collection, park and recreational facilities, forestry services, social services, street and other public lighting, traffic control and street maintenance.

The City operates a water utility, Lambert-St. Louis International Airport and parking meters and facilities, all of which are self-supporting enterprises. All of the airport facilities and portions of the water utility facilities are located in St. Louis County on property owned by the City. Sewage and drainage facilities in the City and in adjacent St. Louis County are operated by The Metropolitan St. Louis Sewer District, a separate taxing authority established under Section 30 of Article VI of the Constitution of Missouri and financed by ad valorem taxes and user fees. Public transportation facilities for the City and much of the surrounding metropolitan area are operated by the Bi-State Development Agency of the Missouri-Illinois Metropolitan District (the "Bi-State Development Agency").

The public school systems within the City are operated under the administration and control of The School District of the City of St. Louis and The Junior College District of St. Louis and St. Louis County. These districts are independent of the City, having their own elected or appointed officials, budgets and administrators. These districts are empowered to levy taxes, separate and distinct from those levied by the City, sufficient to finance the operations of the respective public school system within their jurisdictions.

Local Governmental Commissions and Agencies

There are a number of significant governmental authorities and commissions that provide services within the City.

The Police Department of the City of St. Louis is directed by the Police Board, consisting of the Mayor of the City, ex-officio, and four members appointed by the Governor of the State of Missouri, with the advice and consent of the State Senate. The Board has many duties and powers, including the power to administer oaths, summon witnesses and establish a police force. The level of employment, salaries, holidays, vacations, pensions and other employment benefits of the police force are set by state statute. The Board may provide itself with offices, office furniture, clerks and other staff as needed. On the last day of February each year, the Board must certify in writing an estimate of the amount of money necessary to carry out its duties during the next Fiscal Year. The state statute provides that the City must appropriate the certified amount in the General Revenue Fund budget for that year. However, a decision of the Supreme Court of Missouri, in *State ex. rel Sayad v. Zych*, 642 S.W.2d 907 (Mo. banc 1982), held that the City need only appropriate an amount equal to the amount appropriated in the 1980-1981 Fiscal Year, the year in which voters approved an amendment to the State Constitution limiting governmental tax and spending powers. After an appropriation has been made for a particular Fiscal Year, the Board is not permitted to transfer appropriated funds for one line item of such appropriation to any other line item without the approval of the Board of Estimate and Apportionment.

The Bi-State Development Agency ("Bi-State") is a body corporate and politic established by a compact between Missouri and Illinois creating the Bi-State Development Agency and approved by an Act of Congress. The Bi-State Development Agency has authority to issue bonds payable out of revenues collected for the use of facilities leased, owned or operated by it in the City, St. Louis County and Illinois counties within the St. Louis Metropolitan Area. At present there is a special 1/2 cent sales tax authorized by the State of Missouri which is assessed by the City and St. Louis County and is primarily used to pay a portion of the costs of the bus transportation system of the Bi-State Development Agency. In August 1994 an additional 1/4 cent sales tax was approved by the voters for the expansion of the MetroLink System, a transportation system within the City, St. Louis County and East St. Louis, Illinois. The Bi-State Development Agency operates the MetroLink System between East St. Louis, Illinois and Lambert-St. Louis

International Airport. Construction of the MetroLink System began in April 1990; it became operational in late 1993 and extension of service to the Airport was completed in 1994. In October 1996 Bi-State was awarded a full funding grant agreement of \$244 million to be matched by a ½ cent sales tax increase totaling \$95.2 million paid by the taxpayers of St. Clair County for a 17.4 mile eight-station eastward expansion of MetroLink to Belleville Area College in Illinois. Phase I construction has been underway since Spring 1998 and is expected to be completed in Spring 2001. Phase II of the Metrolink expansion includes the \$5.5 million design of 8.8 miles of track on two stations extending from Belleville Area College to Mid America Airport at Scott Air Force Base in Illinois. St. Clair County will, again, match this \$5.5 million grant.

The City exchanged its MacArthur Bridge over the Mississippi River for the older Eads Bridge owned by a railroad. The City conveyed title to the bridge to the Bi-State Development Agency to be used in the MetroLink System. Other capital costs were federally financed. If the MetroLink System should operate a deficit, the City and other nearby jurisdictions may be asked to increase their funding to the Bi-State Development Agency. However, the City presently has no legal obligation or no present plans to increase its level of funding to the Bi-State Development Agency.

The St. Louis Development Corporation (the "SLDC") is a nonprofit corporation which provides technical expertise, staff and support services to public or civic bodies engaged in improving economic opportunities in the City. The SLDC functions as an umbrella entity for numerous agencies and authorities with a broad variety of functions and powers for the City. There are approximately 110 staff members, including executive, real estate, business development, commercial development, planning, urban design, neighborhood housing, research, communications, legal, finance and administration divisions. The agencies served by the staff of the SLDC include: Land Clearance for Redevelopment Authority; Planned Industrial Expansion Authority; Land Reutilization Authority; Local Development Company (SBA); Industrial Development Authority; Port Authority; and Operation Impact.

Other public bodies and agencies operating in the City include, but are not limited to the St. Louis Housing Authority, Regional Convention and Visitors Commission, St. Louis Regional Commerce and Growth Association, the East-West Gateway Coordinating Council, the Regional Convention and Sports Complex Authority and Downtown St. Louis, Inc.

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ECONOMIC AND DEMOGRAPHIC DATA

Population and Other Statistics

The City is a part of the St. Louis Consolidated Standard Metropolitan Statistical Area (the "Metropolitan Area") consisting of the City and Franklin, Jefferson, Lincoln, St. Charles, St. Louis and Warren Counties in Missouri and Clinton, Jersey, Madison, Monroe and St. Clair Counties in Illinois. During the past 25 years, there has been a strong population growth in the outermost counties surrounding the City. At the same time, the City has experienced a substantial population loss. The following table sets forth population statistics for the Metropolitan Area for the indicated calendar years:

<u>Calendar Year</u>	<u>City of St. Louis</u>	<u>Metropolitan Area</u>
1960	750,026	2,185,000
1970	622,200	2,456,300
1980	453,100	2,414,000
1990	396,700	2,492,400
1995 ¹	372,000	2,532,800
1996 ¹	362,000	2,549,700
1997 ²	351,000	2,576,500

¹ Estimate developed by the St. Louis Chapter of the American Statistical Association.

² 1997 Estimate as of January 1, 1998, Source: St. Louis Chapter of the American Statistical Association.

Source: U.S. Bureau of Census.

Much of the downtown area of the City has undergone a coordinated improvement and development program over the last five years. This development program has included two expansions of the America's Center convention center, including the completion of the 65,000-seat Trans World Dome (which is home to the St. Louis Rams National Football League team), which creates the nation's largest second tier convention center, and the completion of the 20,000 seat Kiel Center arena (which is home to the St. Louis Blues National Hockey League team). In addition, \$300 million was spent on the construction of the MetroLink light rail system linking downtown St. Louis to Lambert-St. Louis International Airport. Ridership on the MetroLink System has exceeded all pre-opening projections. In August 1994, voters passed a 1/4 cent sales tax to be used for further expansion of the MetroLink System. Downtown St. Louis has the single largest concentration of employment in the region with approximately 109,000 employees, or 8.15% of total non-agricultural jobs in the Metropolitan Area. It is the office center in a region of approximately 2.6 million residents with approximately 38% of its office space and 5,500 hotel rooms.

At this time, the City is negotiating to construct a 1,000 room convention headquarters hotel to sit in the core of the Downtown business district directly across from America's Center. The combined renovation and new construction project will boast a 160 unit executive suites hotel and detached 900 room tower. Accordingly, the City would be in a more competitive position to attract some first tier conventioners who require a substantial number of hotel rooms.

The City and federal government are also anticipating the completion of St. Louis' new federal courthouse which currently is over eighty percent complete. This structure is also situated in downtown St. Louis in the heart of the government complex.

St. Louis continues to gain national recognition as a desirable location to live and work. According to a report published by *Fortune Magazine* on November 11, 1996, the St. Louis Metropolitan Area ranks sixth among America's largest cities as a place to live and work. Quality of life issues such as reasonably priced housing, short commuting times, quality public transportation, private and parochial schools, low crime rate and the availability of cultural activities are among its major assets. Additionally, the issue ranked the region as the nation's seventh largest corporate headquarters market with 21 Fortune 1000 corporations located there. The June 2, 1997 issue of the *St. Louis Business Journal* reports a study indicating that the City ranks as the tenth most affordable place to live in the United States, and *Entrepreneur* magazine's October 1996 issue ranks the City second in the country in automobile manufacturing.

Employment

The Metropolitan Area and the City are major industrial centers in the Eastern Missouri-Southwestern Illinois area with a broad range of manufacturing enterprises. According to information provided by the Missouri Division of Employment Security, in 1982 manufacturing represented 22.1 % or 217,600 of the total 986,300 non-agricultural jobs in the Metropolitan Area. At the end of 1997, there were approximately 166,204 manufacturing jobs in the Metropolitan Area, representing 16% of 1,038,477 total non-agricultural jobs in the Metropolitan Area. Although manufacturing jobs as a percentage of total jobs in the Metropolitan Area have decreased, there has been an overall increase in total jobs in the Metropolitan Area to 1,045,328.

The following table reflects the City's employment by industry group at the end of 1997:

CITY EMPLOYMENT BY INDUSTRY GROUP (TOTAL AVERAGE NON-FARM)

Industry Group	Employees
Manufacturing	38,749
Services	81,975
Government	42,007
Retail Trade	27,766
Transportation, Communication and Public Utility	20,708
Finance	21,415
Wholesale Trade	14,591
Construction	6,557
Other	196
Total	<u>253,964</u>

Source: Missouri Department of Labor and Industrial Relations.

Since 1982 total non-farm jobs within the City declined from 308,099 to 253,964 by the end of 1997, reducing its percentage of the region's job base by 7.2%, from 31.2% to 24%. Manufacturing jobs in the City decreased from 68,626 in 1982 to 38,749 by the end of 1997. Although the City has experienced a decline in the number of jobs and its share of total jobs in the Metropolitan Area, the City has remained a significant source of employment for the region. Job growth in the City has been concentrated in the service sector since the City is growing as a service center and anticipates strong, long-term employment growth in the areas of medical, business and recreational services, as well as in education, and the tourism and convention business.

Relocations to the City in recent years have added jobs. The St. Louis Regional Commerce and Growth Association ("RCGA") was successful in arranging the relocation of 600 Union Pacific Railroad jobs from Denver to downtown St. Louis. The May Company headquarters for its retail division also moved 500 employees to the City over the last several years. In a similar fashion, the recent relocation of TWA's corporate headquarters to the City brought approximately 600 jobs to the downtown area, and an additional 1,100 jobs were gained as a result of TWA's moving its reservations center from St. Louis County to the City. While Southwestern Bell Corporation's holding company, SBC, has reassigned some jobs from the downtown area to Texas and California, the impact has been offset by two major business moves. A new call center in St. Louis County will have approximately 1,500 new employees, and the move of nearly 800 employees from other SBC subsidiaries from leased space in St. Louis County to the prior downtown headquarters have helped strengthen their presence in the St. Louis Metropolitan Area. According to SBC officials, the influx of jobs to the City will result in little net change to employment numbers in the City. Similarly, key initiatives such as a Telecommunity Center and investments in technology and scholarships for local colleges punctuate SBC's commitment to have a long-term presence in the City.

Following the 1996 merger of some of the area's more prominent medical centers, Barnes-Jewish Hospital, Children's Hospital, Christian Northeast and Northwest Hospitals, and Missouri Baptist Medical Center, BJC, headquartered in the City, approved a \$350 million campus integration plan to include in-patient, out-patient and ambulatory care as well as a cancer center. According to the ROGA, this project once completed will inject an estimated

\$428 million into the economy, and provide employment for more than 4,700 workers, creating income greater than \$145 million. BJC currently reports more than 15,000 jobs paying into the City's payroll taxes resulting from employees who work for the health system. For the sixth consecutive year, Barnes-Jewish Hospital has made the honor roll of hospitals from around the country as noted in the July 1998 edition of the *U.S. News and World Report*.

The RCGA also endorsed the relocation of the Rams football team to St. Louis. As a result, gains in business revenues to the Metropolitan Area are projected to be \$100 million per year. Of that overall economic projection, the Metropolitan Area realized an estimated direct economic impact of \$49 million over the course of eight home games played in 1995 with 65,000 persons attending each event. Contributing to this impact are ticket sales, parking, concessions, and after-game food and beverage consumption. The economic analysis projects gains in personal incomes of \$40 million and 1,700 additional jobs. Admissions and restaurant and earning taxes will bring an estimated \$5 million to the City annually.

The Department of Defense announced on February 28, 1995 that it had recommended to the Base Realignment and Closure Commission ("BRAC") that the Army Aviation and Troop Command ("ATCOM") be segmented and moved to four different states, with most St. Louis-based ATCOM jobs transferring to Huntsville, Alabama. In September 1995 Congress approved the BRAC initiatives, thus affecting many of the nearly 3,500 civilians employed at the St. Louis location. Relocation activities began in July of 1997 and were completed by the end of 1997. In order to counter the impact on the St. Louis labor force, the Clinton Administration approved a \$5.85 million grant to assist ATCOM workers with job placement. Based on preliminary placement interviews and activities, approximately 50% of St. Louis employees remained in the area by choice and obtained jobs at 80 to 90 percent of their ATCOM salary. Also, the General Service Administration committed to relocate other federal agencies to the ATCOM site to restore employment levels in the near term to at least 80% of prior employment at the site. Consequently, the United States Department of Agriculture has made plans to move approximately 600 employees to the ATCOM site by year-end 1998.

Since the move, the General Services Administration (GSA) arm of the federal government has been working diligently to fill the one million square feet of space vacated by ATCOM workers. To date, the U.S. Postal Service has set up shop in a significant number of blocks of the facility to house workers committed to its Y2K endeavor. It is estimated that this intermediate stay could last up to five years. As the GSA's goal is to house employees in the downtown government district, officials are currently considering the marketing plan of a major commercial firm interested in utilizing the entire ATCOM campus.

Approval by the City's Board of Aldermen is pending for a three-phase master plan development of the 1.3 million square feet of the historic Arena site proposed by St. Louis Development Corporation. The site is situated in the heart of the City directly across from historic Forest Park. The development will include prime office space, restaurants and shops to service both campus workers and park visitors, and a Forest Park Visitor's Center as a cultural anchor. This project expects to compete with suburban areas for large, growing firms in the technology and financial services sectors that tend to opt for such environs. With regard to the City, however, the final development will complement rather than compete with Downtown St. Louis by targeting firms that would otherwise locate in outlying suburban areas. It is anticipated that once fully occupied, the office campus and surrounding venues will have added hundreds of jobs to the City's tax rolls, as well as real estate and property tax increases.

The following table indicates average employment levels for City residents in the calendar years below:

	Average 1998*	Average 1997	Average 1996	Average 1995	Average 1994
Labor Force	167,259	165,962	172,178	167,843	165,273
Number Employed	154,576	154,073	159,307	154,773	152,923
% Unemployed	7.5%	7.2%	7.5%	7.8%	7.5%
% State Unemployed	4.4%	4.2%	4.6%	4.8%	4.9%
% U. S. Unemployed	4.7%	4.9%	5.4%	5.6%	6.1%

Source: Missouri Department of Labor and Industrial Relations. (*Through August 30, 1998)

Major Employers

The following table presents information relating to the top twenty non-governmental employers in the City based on the average of the fourth quarter payroll tax reports of 1997:

TOP TWENTY NON-GOVERNMENTAL EMPLOYERS - 1997

Company	Employees
Barnes-Jewish Hospital	12,332
Washington University	10,632
St. Louis University	10,254
Southwestern Bell	6,754
NationsBank	6,060
May Department Stores	5,646
Anheuser Busch	5,517
A.G. Edwards & Sons	3,782
Mercantile Bank	3,436
Union Electric	2,509
St. Louis Children's Hospital	2,357
Laclede Gas	1,937
Union Pacific Railroad	1,907
Ralston Purina	1,856
Kiel Investors LP	1,851
Trans World Airlines	1,806
Sigma Chemical	1,759
Adams Mark Hotel	1,642
Cardinal Glennon Children's Hospital	1,622
President Riverboat Casino	1,472

Source: City Collector of Revenue.

According to the Collector of Revenue of the City of St. Louis, listed in the top ten public and governmental employers employing in excess of 2,500 employees are the City of St. Louis, the United States Post Office, the Board of Education of the City of St. Louis and the State of Missouri.

Economic Development

Since 1992, there has been more than \$1.8 billion of development completed in and around downtown St. Louis. Just a five minute drive from downtown St. Louis is the Gateway International Raceway in Madison, Illinois, which celebrated its grand opening in the spring of 1997. Four nationally renown races held last year were estimated to have generated over \$45,000,000 for the regional economy through the sale of goods and services, income, sales and excise taxes and the employment of over 1,200 people. The May, June, September and October events, along with the weekly drag racing program, drew audiences exceeding 250,000, and contributed record sums into the economy. It was reported that during last year's racing season, hotel accommodations within 100 miles were sold out.

The City is also planning a number of other major new projects to continue development initiatives, including the construction of a new convention headquarters hotel across the street from the America's Center, the development of the site of the St. Louis Arena vacated after the completion of Kiel Center downtown and improvement of the Darst-Webbe housing complex to include mixed-use housing, businesses, etc. A number of neighborhood development projects are also planned or underway. Construction is either underway or soon to begin on over \$1.5 billion of additional developments.

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The following table lists information regarding major development projects totaling over \$817.4 million completed since 1995:

Completed	Project Type	Estimated Cost Of Project	Completion Date
Murphy Park Apartments - Phase I	New Construction	\$ 17,000,000	1998
Small Business Technology Incubator	Rehabilitation	6,000,000	1998
Lone Star Industries	Expansion	4,500,000	1998
LaSalle Park Apartments	Rehabilitation	3,609,464	1998
1 Public School	New Construction	7,650,000	1997
515 Olive Office Building	Rehabilitation	10,400,000	1997
A.G. Edwards Office Building	New Construction	30,000,000	1997
Affordable City Homes - West End	New - Apartments	4,500,000	1997
Art Loft Associates	Rehabilitation	5,000,000	1997
Blumeyer Housing Improvements	Rehabilitation	15,041,268	1997
Carr Square Phase I Comp. Mod.	New Construction	6,861,768	1997
Carr Square Village	Rehabilitation	36,000,000	1997
Clinton-Peabody Phase III Housing	Rehabilitation	8,243,615	1997
Cochran Improvements	Rehabilitation	4,179,738	1997
Concordia Publishing Co.	Renovation	2,500,000	1997
Elderly Public Housing ADA Improvements (System Wide)	Rehabilitation	3,120,635	1997
Home Depot	New Construction	10,500,000	1997
International Building	Rehabilitation	3,500,000	1997
KETC Channel Nine	New Construction	6,000,000	1997
Malcolm Bliss State Hospital	New Construction	20,000,000	1997
Missouri Botanical Gardens Resource Center	New Construction	5,000,000	1997
Northview Village	Rehabilitation	3,000,000	1997
Planet Hollywood	Renovation	4,000,000	1997
State Psychiatric Hospital	Rehabilitation	27,500,000	1997
Sverdrup Plaza	Renovation	6,000,000	1997
Terminal Railroad Trestle Reconstruction	New Construction	13,000,000	1997
AFT Inc. Nursing Home	New Construction	4,500,000	1996
American Cancer Society	New Construction	6,000,000	1996
Clinton-Peabody Phase II	Rehabilitation	8,770,676	1996
Landry's Restaurant	New Construction	2,500,000	1996
Mark Twain Hotel	Rehabilitation	3,000,000	1996
Medium Security Institution	Expansion	11,000,000	1996
Saint Louis University	Renovation/New Construction	200,000,000	1996
18th Street Garage	Rehabilitation	3,500,000	1995
A.G. Edwards Parking Garage	New Construction	5,000,000	1995
Jewish Hospital Garage	New Construction	12,000,000	1995
Stadium/Convention Center	New Construction	298,000,000	1995

Source: St. Louis Development Corporation.

The following table lists information regarding major development projects totaling approximately \$1.5 billion currently planned or under construction in the City:

Planned or Under Development	Project Type	Estimated Cost Of Project	Completion Date
Kiel Triangle Park	New Construction	3,000,000	1998
Harris Stowe State College Library	New Construction	2,000,000	1998
City Plaza Shopping Center Phase I	New Construction	6,000,000	1998
Boxes Inc.	Renovation	7,000,000	1998
Blumeyer Elderly Apts.	Rehabilitation	3,088,125	1998
A.G. Edwards Annex	New Construction	2,000,000	1998
Sigma Chemical World Headquarters and R & D	New Construction	11,500,000	1999
Sigma Chemical Co.	New Construction	13,000,000	1999
Renaissance Homes	New- Single Family	6,500,000	1999
Martin Luther King Dr. and Sarah Shopping Center	New Construction	3,500,000	1999
Hilton Pointe Apts. Phase II	New Construction	4,250,000	1999
Greater Ville Homes	New - Single Family	3,325,000	1999
Garage Improvements-St. Louis Centre North & East Garages	Renovation	2,000,000	1999
705 Office Building	Renovation	5,000,000	1999
President Casino Complex	Renovation	45,000,000	1999
Maple Acres	New - Single Family	9,000,000	1999
Federal Courthouse	New Construction	180,000,000	1999
FBI Headquarters	New Construction	10,000,000	1999
210 North Tucker Office Building	Renovation	5,000,000	1999
Drury Plaza Fur Exchange Hotel	Renovation	25,000,000	1999
Marquette Apartments	Renovation	20,000,000	2000
Edison Brothers Warehouse Mixed Use	Renovation	50,000,000	2000
Cupples Station Westin Hotel	Renovation	40,000,000	2000
Riverside Apartments	New Construction	25,000,000	2000
1627 Washington Loft Building	Renovation	5,300,000	2000
1324 Washington Loft Building	Renovation	3,570,000	2000
SJI Headquarters	Renovation	4,500,000	2000
Multi-Modal Station	New Construction	25,000,000	2000
Saint Louis University Expansion	New Construction	80,000,000	2000
History Museum	Renovation/Expansion	24,000,000	2000
Convention Headquarters Hotel	Renovation/New Construction	140,000,000	2001
Darst-Webbe Mixed Use Development	New Construction	150,000,000	2001
City Plaza Shopping Center Phase II	New Construction	6,000,000	2001
City Justice Center	New Construction	91,000,000	2001
Vashon High School	New Construction	50,000,000	2001
Justice Center Garage	New Construction	10,000,000	2001
BJC Health System Phase I	New/Rehabilitation	225,000,000	2002
Forest Park Restoration	Renovation	86,000,000	2004
St. Louis Art Museum Expansion	Renovation	100,000,000	2005
Harris Stowe State College Expansion Phase II	New Construction	16,000,000	2005

Source: St. Louis Development Corporation.

Major Taxpayers

The following tables set forth information regarding the top payers of earnings tax, payroll tax, real estate tax and personal property tax to the Collector of Revenue for the indicated period:

TOP TWENTY TAXPAYERS EARNINGS TAX - 1997 CALENDAR YEAR

Anheuser Busch, Inc.	\$4,256,673
Southwestern Bell	3,134,355
BJC Health System	3,003,212
NationsBank	2,848,209
Washington University	2,743,882
St. Louis University	2,325,012
A.G. Edwards & Sons, Inc.	2,236,383
Union Electric Co.	1,526,007
May Department Stores	1,255,183
Mercantile Bank	1,232,224
Ralston Purina	1,172,208
Sigma Chemical	1,018,178
River City Broadcasting	838,484
Union Pacific Railroad	775,433
Mallinckrodt Inc.	653,049
Laclede Gas. Co.	612,718
A T & T	519,159
S L C Holdings	499,209
Tenet HealthSystem	434,330
Pulitzer Publishing Co. Inc.	406,187

Source: City Collector of Revenue.

TOP TWENTY TAXPAYERS PAYROLL EXPENSE TAX - 1997 CALENDAR YEAR

Anheuser Busch, Inc.	\$2,042,467
Southwestern Bell	1,068,557
A.G. Edwards & Sons, Inc.	829,169
NationsBank	660,175
May Department Stores	536,839
Ralston Purina Co.	382,176
Union Electric	333,617
Mercantile Bank	332,429
Union Pacific Railroad	279,585
Sigma Chemical	237,294
Tenet HealthSystem	228,208
Mallinckrodt Inc.	214,444
Edison Brothers Stores	200,369
Thompson Coburn	187,611
Laclede Gas Co.	172,573
Rightchoice Managed Care	169,723
Trans World Airlines	156,031
A T & T	155,483
Pulitzer Publishing Co., Inc.	148,214
St. Louis Cardinals LP	138,492

Source: City Collector of Revenue

**TOP TWENTY TAXPAYERS
REAL ESTATE TAX - 1997 CALENDAR YEAR**

Union Electric	\$5,448,526
Anheuser Busch, Inc.	5,357,130
Laclede Gas Co.	3,846,569
Southwestern Bell Telephone	2,769,007
Metropolitan Life Insurance Co.	1,423,492
A. G. Edwards & Sons, Inc.	1,147,467
Seven-Seventeen Redevelopment Corp.	808,032
Mercantile Bank	802,739
Mallinckrodt	676,266
Union Center Redevelopment	625,100
Oscar Woesterman, et al.	517,353
May Department Stores	505,631
Centerre-Equitable Joint Venture	496,151
Mansion House-Day Frey et al.	485,741
Gateway One Office Venture	455,475
Edison Brothers/EBS	451,045
NationsBank	450,060
Heitman Properties	398,939
Gateway Hotel	388,538
Equitable Broadway	357,235

Source: City Collector of Revenue.

**TOP TWENTY TAXPAYERS
PERSONAL PROPERTY TAX - 1997 CALENDAR YEAR**

Southwestern Bell	\$4,332,821
Ralston Purina Co.	1,274,728
President Riverboat Casino	1,249,728
Laclede Gas Co.	1,238,423
Union Electric Co.	915,079
Anheuser Busch, Inc.	913,922
A.G. Edwards & Sons, Inc.	778,552
Cybertel Corp.	587,037
Comdisco Inc.	571,291
Enterprise Leasing Co.	565,558
Ford Motor Credit Co.	560,357
IBM Credit Corporation	550,858
May Department Stores	513,614
NationsBank	490,689
Dan Cushman	464,300
Xtra Lease Inc.	398,058
Union Electric Co.	382,677
Mallinckrodt Chemical Inc.	311,461
Pulitzer Publishing Co. Inc.	301,025
Healthy Alliance Life	278,894

Source: City Collector of Revenue.

Construction Data

The following table shows trends in the number of building permits and value of housing construction, rehabilitation and commercial construction in the City for the calendar years set forth below:

Calendar Year	Value of Housing		Value of Commercial, Industrial or other Non-Housing	Total	
	New	Rehabilitation		Number of Permits	Total Value
1990	\$ 2,672,800	\$ 9,235,034	\$265,476,027	3,226	\$277,383,861
1991	5,545,348	11,820,524	268,654,733	3,220	286,020,605
1992	3,332,250	14,692,551	221,234,011	3,858	239,258,812
1993	4,364,650	8,500,254	326,531,135	3,201	339,396,039
1994	6,827,000	10,803,927	274,220,690	3,397	291,851,617
1995	12,584,500	21,235,408	263,294,393	3,284	297,114,301
1996	29,105,066	20,792,165	217,504,830	2,968	267,402,061
1997	15,571,647	19,657,159	177,982,816	4,019	213,211,622

Source: City Building Division.

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FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS

Introduction

Management of the City's finances includes preparation of an annual budget, control of the expenditure of City funds, cash management and the levy and collection of property taxes. This section presents information regarding the City's finances, including the City's accounting and budgeting practices.

Accounting and Reporting Practices

The City maintains its accounting records on the basis of funds and account group.

Governmental-Type Funds - Governmental-Type Funds are used to account for the acquisition, use and balances of the City's financial resources and related liabilities. The measurement focus is upon determination of changes in financial position, rather than net income determination. The following are the City's governmental-type funds:

General Revenue Fund - The General Revenue Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts of major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for acquisition or construction of major facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds - Proprietary Funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following describes the City's proprietary fund types:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following describes the City's fiduciary funds:

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held in trust or as an agent by the City for others. Expendable funds are accounted for and reported in essentially the same manner as governmental funds. Agency Funds are custodial in nature and are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds.

Account Groups - Account Groups are used to establish accounting control and accountability for the City's General Fixed Assets and General Long-Term Debt. The following describes the City's Account Groups:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the City, other than those accounted for in the proprietary funds.

General Long-Term Debt Account Group - This account group is established to account for all long-term debt of the City except that accounted for in the proprietary funds.

The financial statements of the various funds of the City, other than the Enterprise Funds, are presented, generally, on a modified accrual basis of accounting. An annual audit is made of the accounts and the records of the City. This examination is conducted by an independent certified public accountant, engaged by the Mayor for this purpose.

Budget Process

The Board of Estimate and Apportionment proposes annual operating and capital budgets for the ensuing Fiscal Year, based on information provided by the various City departments (including the Budget Division), commissions and boards.

After internal review and analysis by the Board of Estimate and Apportionment, a proposed budget, which includes a statement showing estimated receipts and expenditure requirements of each department, commission and board, and a comparative statement of receipts and expenses incurred for the previous year, is submitted to the Board of Alderman.

Under a City Charter Amendment adopted in 1987, the Board of Estimate and Apportionment must submit its proposed budget to the Board of Aldermen no less than 60 days prior to the beginning of the Fiscal Year, July 1.

The budget bill is assigned to the Ways and Means Committee of the Board of Aldermen, which conducts public hearings on segments of the proposed budget prior to taking any action. Thereafter, the proposed budget is reviewed and then considered by the Board of Aldermen.

The Board of Aldermen may reduce the amount of any item in a budget bill, except amounts fixed by statute for the payment of principal of or interest on City debt or for meeting any ordinance obligations. The Board of Aldermen may not increase the amount of the proposed budget or insert new items. Also under the City Charter, the Board of Estimate and Apportionment submits and recommends to the Board of Aldermen a bill establishing City real property tax rates. Currently, increasing the level of existing taxes or imposing new taxes requires voter approval in accordance with the Missouri Constitution. See the caption "**FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS – The Hancock Amendment**" herein.

Should the Board of Estimate and Apportionment not timely submit its proposed budget or tax rate to the Board of Aldermen, the Budget Director is required to submit directly to the Board of Aldermen data, including projected revenues and expenses, necessary to permit the Board of Aldermen to approve an operating budget prior to the beginning of the Fiscal Year.

Should the Board of Aldermen not approve a budget or tax rate by the beginning of a Fiscal Year, the proposed budget or tax rate recommended by the Board of Estimate and Apportionment, or, in its absence, the submission by the Budget Director, is deemed to have been approved by the Board of Aldermen.

Except with respect to the general appropriation bill and bills providing for the payment of principal of or interest on debt, no appropriation may be made from any revenue fund in excess of the credit balance of such fund, and no appropriation may be made for any purpose to which the money is not lawfully applicable. The Board of Estimate and Apportionment may, from time to time, appropriate any accruing, unappropriated City revenue, and whenever an appropriation exceeds the amount required for the purpose for which it was made, the excess or any portion or portions thereof may, by ordinance recommended by the Board of Estimate and Apportionment, be appropriated to any other purpose or purposes. All unexpended appropriated money, not appropriated by special ordinance for a specific purpose, reverts at the end of the then-current Fiscal Year to the fund or funds from which the appropriation was made.

Financing Controls

During recent years, the City has implemented significant measures to upgrade its financial reporting systems. This was done in an effort to bring the financial system in line with the requirements of generally accepted accounting principles.

At present, the City utilizes a fully computerized Accounting Information Management System (the "AIM System") which was initiated in 1981. The AIM System is based on a single transaction concept of processing whereby all relevant files and reports are updated from a single input of information. The AIM System provides: (1) integrated general and subsidiary accounting of all funds; (2) appropriation/encumbrance accounting and controls; and (3) generation of cost/expenditure data in multiple formats that are useful for budgetary control and other managerial purposes. In developing and evaluating the City's accounting system, consideration was given to the adequacy of internal accounting controls. Internal account controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets.

Through annual appropriations, the City maintains budgetary control at the department level by line item. Cost classifications are categorized in the following groups: personal services, supplies, materials, contractual services and equipment.

Encumbrances are recorded by the Control Section through an on-line budgetary control module before requisitions are sent to the Purchasing Division. If sufficient funds are not available to cover a purchase, the requisition is returned to the originating department for transfer of funds or cancellation. Departments' appropriations are allowed to be adjusted by transfers with the prior approval of the Board of Estimate and Apportionment. The Comptroller is able to control all of the above using the AIM system.

It is the special responsibility of the Comptroller, as set forth in the Charter, to provide City officials and taxpayers with reasonable assurances that public funds and property are adequately safeguarded and that financial transactions are authorized and properly recorded. The internal audit staff of the Office of the Comptroller is responsible for carrying out the Charter and ordinance provisions relating to the audit of records, funds and securities of every person charged with safekeeping of the City's assets. The objective is to evaluate the procedures in effect to conserve and safeguard the City's property. Besides the focus on the collection and recording of receipts, department audits include development of recommended procedures for improvement of internal controls in the maintenance of accounts receivable and properly controlled records. Audits are conducted on a continuing cycle.

Cash Management

Cash management is handled by the City Treasurer. The Treasurer, an elected official, maintains bank accounts, invests funds and maintains account records.

All cash not restricted by law to specific accounts is pooled into the "General Pooled Cash" and invested by the City Treasurer. The Treasurer provides cash forecasting so that adequate cash is available while investments are maximized. All investments held by the Treasurer as of June 30, 1998 totaled \$271,297,660 at cost. Consistent with state law, all investments held by the Treasurer are in direct securities backed by the full faith and credit of the U.S. Government or its agencies and those that may be approved by the State Treasurer, or in time deposits collateralized by those securities.

Cash Management Investment Policy

The City has adopted a revised Public Funds Investment Policy. The investment policy applies to all financial assets of the City, including the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Internal Service Funds, Enterprise Funds, Trust and Agency Funds and proceeds of bond issues, but does not apply to the City's pension funds. The objectives stated in the policy (in order of priority) are (a) security, (b) liquidity, (c) investment return, (d) local economic benefit and (e) social policy. The policy applies a prudent standard to management of the overall portfolio, with investments limited to U.S. Government obligations, obligations of any agency or instrumentality of the U.S., bonds of the State of Missouri or the City, certificates of deposit, repurchase

agreements maturing within 90 days and deposits with listed institutions. Certificates of deposit, repurchase agreements maturing within 90 days and deposits with listed institutions must be collateralized. The City's revised Public Funds Investment Policy has been approved for certification by the Municipal Treasurers' Association of the United States and Canada. Columbia Capital Consultants, LLC serves as an investment consultant to the Treasurer's office.

General Revenue Fund

In accordance with generally established accounting procedures for governmental units, the City records its financial transactions under various funds. The largest is the General Revenue Fund, from which all general operating expenses are paid and to which taxes and all other revenues not specifically allocated by law or contractual agreement to other funds are deposited. Expenditures from the General Revenue Fund are for payments of the payroll, pension, employee benefits and other miscellaneous ordinary operating expenses.

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Table I, which follows, is the City's combined Statement of Revenues, Expenditures and Changes in Fund Balances for the indicated Fiscal Years.

Table I

<p style="text-align: center;">CITY OF ST. LOUIS General Revenue Fund Combined Statement of Revenues, Expenditures and Changes in Fund Balances Accrual Basis - Fiscal Years Ended June 30 (In Thousands)</p>					
	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Revenues					
Taxes	\$289,466	\$281,237	\$281,745	\$269,293	\$249,555
Licenses & Permits	14,965	13,498	13,584	14,952	19,592
Intergovernmental Aid	4,155	4,826	3,035	6,317	7,640
Charges for Services	12,210	11,791	11,592	11,681	11,629
Court Fines & Forfeitures	4,327	6,435	6,365	5,850	6,055
Interest	5,942	6,037	3,984	2,845	2,848
Miscellaneous	<u>7,307</u>	<u>2,917</u>	<u>2,976</u>	<u>2,963</u>	<u>2,757</u>
Total Revenues	\$338,372	\$326,741	\$323,281	\$313,901	\$300,076
Expenditures					
General Government	\$33,037	\$31,392	\$37,215	\$29,342	\$30,786
Convention & Tourism	1,035	4,758	1,044	1,360	1,942
Parks and Recreation	15,231	13,833	13,628	12,403	12,112
Judicial	29,233	28,918	28,179	26,329	24,879
Streets	29,136	29,341	28,471	26,112	24,524
Public Safety	63,893	62,534	57,398	52,199	51,322
Health and Welfare	18,392	16,496	16,353	16,297	32,101
Public Services	19,125	18,413	16,928	17,050	15,728
Police (1)	0	0	0	0	84,796
Capital Outlay	464	4	4	1,221	3,636
Debt Service Principal	3,700	3,783	10,336	10,818	6,611
Interest & Fiscal Charge	<u>18,274</u>	<u>14,817</u>	<u>13,473</u>	<u>10,840</u>	<u>14,031</u>
Total Expenditures	\$231,520	\$224,289	\$223,029	\$203,971	\$302,468

(1) The Police Department became a discretely presented component unit (per Governmental Accounting Standards Board Statement No. 14) beginning in Fiscal Year 1994.

Source: Audited Financial Statements.

(Continued on Next Page)

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Accrual Basis - Fiscal Years Ended June 30 (Continued)
(In Thousands)

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Excess of Revenues Over (Under) Expenditures					
Other Finance Sources/(Uses)	<u>\$106,852</u>	<u>\$102,452</u>	<u>\$100,252</u>	<u>\$109,930</u>	<u>\$(2,392)</u>
Proceeds From Capital Leases	11,855	0	0	0	329
Proceeds From Convention Center Refinancing	0	0	0	154,063	0
Proceeds From Notes Payable	0	0	0	0	127
Operating Transfers From Component Units	125	125	125	125	0
Operating Transfers In	15,497	14,381	13,221	7,310	6,686
Operating Transfers Out	(12,386)	(11,782)	(9,520)	(4,287)	(5,273)
Proceeds From Joint Ventures	0	0	0	0	4,988
Payment To Bond Escrow Agent	0	0	0	(150,973)	0
Sales of General Fixed Assets	0	0	0	0	20
Contract Settlement with Airport	0	0	0	0	(435)
Operating Transfers To Component Units	(102,863)	(99,499)	(98,082)	(90,661)	0
Other Finance Sources/Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	\$(87,772)	\$(96,775)	\$(94,256)	\$(84,423)	\$6,442
Excess of Revenues & Other Finance Sources Over (Under) Expenditures & Other Uses	19,080	5,677	5,996	25,507	4,050
Fund Balances (Beginning of Fiscal Year) (1)	66,479	60,802	54,806	29,581	25,897
Equity Transfers In	0	0	0	0	108
Equity Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances (End of Fiscal Year)	<u>\$85,559</u>	<u>\$66,479</u>	<u>\$60,802</u>	<u>\$55,088</u>	<u>\$30,055</u>

(1) Fund Balances (Beginning of Fiscal Year) at June 30, 1996, 1995 and 1994 differ from Fund Balances (End of Fiscal Year) of the preceding Fiscal Year due to the adoption of GASB No. 14 and other accounting matters.

Source: Audited Financial Statements.

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The table, which follows shows General Revenue Fund results on a budgetary (cash) basis for the Fiscal Years, set forth below:

Table II

CITY OF ST. LOUIS
General Revenue Fund
Summary of Operations
Cash Basis - Fiscal Years Ended June 30
(In Thousands)

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Revenues			
Taxes	\$293,649	\$290,786	\$281,894
Licenses	15,494	13,912	13,654
Intergovernmental Aid	5,532	4,301	4,904
Charges for Services	11,903	11,985	12,140
Court Fines & Forfeitures	4,618	4,327	4,017
Interest	2,948	2,024	2,556
Miscellaneous	<u>2,530</u>	<u>4,914</u>	<u>2,885</u>
Total Revenues	<u>336,674</u>	<u>\$332,249</u>	<u>\$322,050</u>
Expenditures			
General Government	\$ 33,908	\$ 30,748	\$ 29,799
Convention & Tourism	2,027	1,034	2,017
Parks & Recreation	13,907	15,196	13,773
Judicial	31,474	29,898	29,359
Streets	28,470	29,955	29,349
Public Safety	73,167	63,523	62,449
Health & Welfare	15,783	18,745	17,668
Public Services	18,535	19,704	18,304
Police	104,934	101,766	97,926
Debt Service	<u>18,128</u>	<u>17,860</u>	<u>16,837</u>
Total Expenditures	<u>340,333</u>	<u>328,429</u>	<u>317,481</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,659)</u>	<u>3,820</u>	<u>4,569</u>
Other Financial Sources (Uses):			
Operating Transfers In	20,777	11,669	15,776
Operating Transfers Out	<u>(7,233)</u>	<u>(7,042)</u>	<u>(5,628)</u>
Total Other Finance Sources (Uses)	<u>13,544</u>	<u>4,627</u>	<u>10,148</u>
Excess of Revenues & Other Finance Sources Over (Under)			
Expenditures & Other Finance Uses	9,885	8,447	14,717
Fund Balances (Beginning of Fiscal Year)	16,393	12,284	17,200
Use Tax Reserve	7,107	--	(14,250)
½ Operating Surplus to Capital Improvement Funds	<u>(5,000)</u>	<u>(4,338)</u>	<u>(5,383)</u>
Fund Balances (End of Fiscal Year)	<u>\$ 28,385</u>	<u>\$ 16,393</u>	<u>\$ 12,284</u>

Source: City Comptroller's Office.

General Revenue Fund Receipts by Category

The following table sets forth the percentage of receipts for various categories of the General Revenue Fund for the Fiscal Years set forth below:

	1998	1997	1996	1995	1994
TAXES:					
Earnings	30.82%	31.58%	30.35%	30.43%	31.74%
Franchise	14.03	14.47	14.88	13.98	15.39
Sales	12.96	13.45	13.45	13.73	11.90
Gross Receipts	2.34	2.31	1.92	1.83	2.20
Motor Vehicle Sales Tax	.97	1.01	0.97	0.97	0.97
Motor Fuel	2.78	2.81	2.69	2.69	2.58
Real Estate	6.99	7.38	6.78	7.35	7.44
Personal Property	3.08	3.00	3.05	2.75	2.68
Payroll	8.03	8.17	7.77	7.70	7.87
Local Use Tax	0.00	0.00	1.22	1.56	1.23
Other Taxes	.14	0.34	0.36	0.10	0.12
Total Taxes	82.14%	84.52%	83.44%	83.09%	84.12%
LICENSE FEES	4.34	4.08	4.04	4.11	4.67
DEPARTMENTAL RECEIPTS	7.66	7.98	7.81	7.80	8.02
27TH PAY RESERVE	.05	.03	0.04	1.75	0.05
TRANSFERS	<u>5.81</u>	<u>3.39</u>	<u>4.67</u>	<u>3.25</u>	<u>3.14</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: City Comptroller's Office.

Earnings Tax

The City's Earnings Tax is the most significant single source of General Revenue Fund revenues, representing approximately 31% of the total General Revenue Fund revenues for the Fiscal Year ended June 30, 1998. The Earnings Tax is levied against residents of the City, nonresidents employed within the City and businesses within the City. The Earnings Tax was authorized by State statute in 1954 and was initially set at the rate of one-half of one percent of the gross income of individuals and of net profits of businesses within the City. The current rate of one percent has been in effect since 1959.

Earnings Taxes are withheld by employers and submitted to the City on a quarterly basis, except for employers withholding more than \$ 1,500 per month, who remit their taxes monthly. Residents of the City who are employed outside of the City and do not have the Earnings Tax withheld from their pay are required to file a tax return and pay the Earnings Tax on an annual basis.

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The City's Earnings Tax revenue for the Fiscal Years set forth below was as follows:

<u>Year</u>	<u>Earnings Tax</u>
1994	99,270,129
1995	101,685,365
1996	102,519,126
1997	108,662,508
1998	110,144,735

Source: City Comptroller's Office

Franchise Tax

The Franchise Tax of the City is a tax on utilities operating within the City and on certain gross receipts of the Airport. This tax is passed on to the consumers by the utilities. The tax on Laclede Gas Company and Union Electric Company is 10% of the gross receipts from their commercial customers and 4% from their residential customers. Saint Louis Telecommunications, Inc. is taxed on 5% of gross revenues for its City cable franchise. The Southwestern Bell Telephone Company, Trigen Energy Corp. and the Water Division of the City are taxed 10% of their gross receipts from all users and the Lambert-St. Louis International Airport pays to the General Revenue Fund 5% of its gross revenues. Franchise Taxes are collected and paid to the City monthly and/or quarterly.

The City's Franchise Tax revenue for the Fiscal Years set forth below was as follows:

<u>Year</u>	<u>Franchise Tax</u>
1994	48,141,501
1995	46,713,618
1996	50,279,555
1997	49,784,243
1998	50,166,650

Source: City Comptroller's Office

Sales Tax

A City Sales Tax, which was authorized by the Missouri General Assembly and was approved by voters at an election held in 1969, became effective in 1970 at a rate of one percent of sales within the City. This tax is collected on a monthly basis by the State along with the State sales tax and remitted to the City by the 10th of the following month.

On August 3, 1993, voters approved a three-eighths cent sales tax increase for general operations and a one-half cent sales tax increase for capital improvements. Collection began January 1994. Both approvals were unchallenged and permanent.

The City's General Fund Revenue Sales Tax receipts for the Fiscal Years set forth below were as follows:

<u>Year</u>	<u>Sales Tax</u>
1994	37,230,389
1995	45,886,571
1996	45,453,050
1997	46,275,033
1998	46,329,812

Source: City Comptroller's Office

Gross Receipts Tax

The City's Gross Receipts Tax is comprised of four components: (1) public garage and parking lot tax; (2) amusements admission tax; (3) one-half cent restaurant tax; and (4) natural gas tax, which began May 1, 1991.

The City's Gross Receipts Tax revenue for the Fiscal Years set forth below was as follows:

<u>Year</u>	<u>Gross Receipts Tax</u>
1994	6,540,037
1995	5,790,157
1996	6,503,344
1997	7,940,351
1998	8,353,462

Source: City Comptroller's Office

During Fiscal Year 1998, the natural gas tax was ruled invalid by the Missouri Court of Appeals. The three-judge appellate panel said the City lacked the authority to enact such a fee, reasoning that it is really a use tax for which the City has no power under state law to impose.

Motor Vehicle Sales Tax

The Motor Vehicle Sales Tax is collected by the State in the form of the State sales tax and remitted to the City monthly. A constitutionally mandated portion of the proceeds of the State sales tax is distributed to local governments, including the City, based on their proportionate share of the State's total population.

The City's Motor Vehicle Sales Tax revenue for the Fiscal Years set forth below was as follows:

<u>Year</u>	<u>Motor Vehicle Sales Tax</u>
1994	3,030,454
1995	3,230,730
1996	3,273,919
1997	3,467,986
1998	3,484,553

Source: City Comptroller's Office

Motor Fuel Tax

The City receives a share of the State motor fuel tax based upon population. Motor fuel tax is collected by the State on a monthly basis and remitted to the City monthly.

The City's Motor Fuel Tax revenue for the Fiscal Years set forth below was as follows:

<u>Year</u>	<u>Motor Fuel Tax</u>
1994	8,069,981
1995	8,975,884
1996	9,082,358
1997	9,656,919
1998	9,946,698

Source: City Comptroller's Office

Real and Personal Property Taxes

Taxes are levied on all real and personal property owned as of January 1 in each year. Tax bills are mailed out in November and payment is due by December 31, after which taxes become delinquent. Residential property is currently assessed at 19% of true value, commercial property is assessed at 32% of true value, and agricultural property is assessed at 12% of true value. Real property is reassessed every two years (in odd-numbered years), as required by State law. Reassessments are reflected in the value below for the indicated years. The formula for setting the tax rate does not allow for more than normal growth in tax collections. As a result, there is no "windfall" to the City as a result of the reassessment. During 1995, House Bill 211 changed the assessment of large apartment buildings from commercial to residential classification. The assessment loss for the City was \$40 million.

<u>Calen- dar Year</u>	<u>Real Property⁽¹⁾</u>		<u>Personal Property⁽¹⁾</u>		<u>Manu- facturers Inventory⁽²⁾</u>	<u>Total Assessed Value</u>
	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>		
1994	1,836,918,398	7,610,241,195	770,925,863	2,315,092,681	229,034,027	2,836,878,288
1995	1,791,104,076	7,543,672,762	766,624,918	2,302,176,931	242,496,811	2,800,225,805
1996	1,765,203,352	7,457,159,339	784,576,338	2,356,085,099	238,993,171	2,788,772,861
1997	1,788,721,792	7,539,338,315	795,179,452	2,387,926,282	244,660,432	2,828,561,676
1998	1,804,665,643	7,594,277,913	842,766,603	2,530,830,640	N/A	2,647,432,246 ⁽³⁾

Source:

- (1) City Assessor's Office.
- (2) City License Collector's Office (1998 numbers not available).
- (3) 1998 Total Assessed Value excludes Manufacturer's Inventory.

The estimated "MARKET VALUE" of real property in the City for the last five calendar years is set forth below:

<u>Calendar Year</u>	<u>Commercial</u>	<u>Residential</u>	<u>Total Real Property</u>
1994	3,007,481,316	4,602,759,879	7,610,241,195
1995	2,752,355,778	4,791,316,984	7,543,672,762
1996	2,679,562,134	4,777,597,205	7,457,159,339
1997	2,740,365,478	4,798,972,837	7,539,338,315
1998	2,782,714,150	4,811,563,763	7,594,277,913

Source: City Assessor's Office.

The tax rate levied on real and personal property for the General Revenue Fund of the City during Fiscal Year 1997 was \$1.40 per \$100 of assessed valuations. The collection rate for the Fiscal Year 1997 was 89.4% compared to rate of 86.7% for the Fiscal Year 1998. Tax receipts paid in protest are distributed to the City after the normal due date for real property taxes. Consequently, the rate of collection as a percentage of current amounts due is understated.

The City's Real and Personal Property Tax revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>
1994	22,691,370	8,381,257
1995	23,926,761	9,204,677
1996	22,886,867	10,302,884
1997	25,211,126	10,511,281
1998	24,448,938	11,004,557

Source: City Comptroller's Office

Payroll Tax

In an election held in 1988, voters approved a Payroll Tax. The Payroll Tax is one-half of one percent of total compensation paid by a business to its employees for work in the City. The tax is not applicable to not-for-profit, charitable, civic organizations or hospitals. The Payroll Tax is administered by the Collector of Revenue and is payable quarterly on the last day of January, April, July and October for the preceding calendar quarter.

The City's Payroll Tax revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>Payroll Tax</u>
1994	24,602,768
1995	25,724,069
1996	26,238,336
1997	28,098,389
1998	28,717,504

Source: City Comptroller's Office

Other Taxes

Other taxes collected by the City include the intangible tax, land tax suits, manufacturers tax, commercial property surcharge and county stock insurance tax. The City's other tax revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>Other Taxes</u>
1994	1,324,493
1995	1,296,038
1996	1,239,282
1997	1,178,702
1998	1,041,480

Source: City Comptroller's Office

License Fees

License Fees are collected by the City for the use or sale of or conduct of business in the following categories: automobiles, cigarettes, liquor, business, contractors and certain miscellaneous items. (Prior to Fiscal Year 1991, amusements and public parking were included in the License Fees.) A variety of business license and inspection fees were replaced with the Graduated Business License Tax and the Payroll Tax in 1988 by voter approval. The Graduated Business License Tax is a flat rate, depending on the number of St. Louis employees in the previous calendar year. The tax ranges from \$150 for employers with two or fewer employees to \$25,000 for employers with greater than 500 employees. The issuing of business licenses and the collection of the new License Fees is administered by the License Collector's Office. The first collection of the Graduated Business License Tax was due on July 1, 1989. The license covers the period from July 1 through June 30. An ordinance was passed in 1993 to change the period covered to June 1 through May 31, becoming delinquent by June 30. The increase of License Fees in Fiscal Year 1993 is largely due to this date change.

The City's License Fee revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>License Fees</u>
1994	14,602,910
1995	13,732,682
1996	13,653,290
1997	13,912,180
1998	15,494,049

Source: City Comptroller's Office

Departmental Receipts

Several City departments generate revenues from fees and charges. Those revenue-producing departments include the Department of Parks and Recreation and Forestry, the Public Safety Department, the Street Department, the Public Utilities Department, the Department of Health and Hospitals, Recorder of Deeds, Circuit Court, Juvenile Detention Center, Sheriff, Medical Examiner, Probate Court and the City Courts.

The City's Departmental Receipts revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>Departmental Receipts</u>
1994	22,804,017
1995	23,544,003
1996	26,798,596
1997	27,452,870
1998	27,530,903

Source: City Comptroller's Office

Operating Transfers

A major source of transferred funds is from other Special Revenue Funds. Other Special Revenue Funds consist of Child Support Unit-Circuit Attorney Fund and Columbia Bottoms Fund. Remaining transfers represent funds which by law must first be deposited in a fund, other than the General Revenue Fund, which, after a determination by the Comptroller that such deposits are a surplus, are transferred to the General Revenue Fund. The City's Operating Transfers for Fiscal Years set forth below, on a cash basis, were as follows:

<u>Fiscal Year</u>	<u>Operating Transfers¹</u>
1994	12,270,554
1995	13,609,398
1996	15,776,408
1997	11,669,013
1998	20,776,765

¹ Figures do not include transfers related to certain employment reserves.

Source: City Comptroller's Office

General Revenue Fund Expenditures

General Revenue Fund Revenues, Expenditures and Changes in Fund Balances are shown on an accrual basis for the past five Fiscal Years in **Table I** (in the "General Reserve Fund" section above). **Table II** (in the "General Reserve Fund" section above) shows a General Revenue Fund Summary of Operations on a budgetary (cash) basis for the Fiscal Years ended June 30, 1998, June 30, 1997 and June 30, 1996.

The City provides funding for several significant municipal services, which are not subject to direct City management and control. These are the St. Louis Regional Health Care Corporation and the Police Department. Each is discussed below.

St. Louis Regional Health Care Corporation

Effective September 30, 1985, the City entered into an agreement with St. Louis Regional Health Care Corporation ("RHCC") to provide hospital services to medically indigent inhabitants of the City over a period of ten years. Under the terms of the agreement, the City was obligated to make periodic payments to RHCC for services provided to certified City patients according to a formula. At expiration of the agreement, all debt of RHCC had been retired.

Pursuant to the terms of an agreement reached on July 15, 1997, in connection with litigation relating to RHCC, the City agreed to pay for transition costs of up to \$8.3 million (which finally totaled \$5.21 million) incurred by

RHCC during a ninety-day transition period whereby the provision of health care services to the indigent citizens of the City would be provided by RHCC. After such period, indigent health care services would be provided by a nonprofit corporation created to provide such services. The remaining costs to the City are not expected to exceed \$3.2 million, and the Comptroller of the City has the authority to audit all costs during the transition period. See "INSURANCE AND LITIGATION" herein.

The Board of Police Commissioners

The Board of Police Commissioners of the City of St. Louis, Missouri (the "Police Board") was established by Chapter 84 of the Revised Statutes of Missouri to provide the police force for the City. The Police Board employs the police force, administers the police department and provides offices, police stations and equipment for the police department.

Although the Police Board is not subject to direct City management and control, it derives almost all of its revenue from the City and has no power to levy taxes for any purpose. The Police Board does receive from time to time special grants and proceeds from asset forfeitures that amount in total to approximately 5% of their budget. The Police Board is required by law to prepare on or before the last day of February of each year a written estimate of the amount which will be necessary for the upcoming Fiscal Year to enable the Police Board to discharge its duties and meet the expenses of the police department and to certify the amount to the Board of Aldermen of the City. See the caption "**The Hancock Amendment**" herein.

The Board of Aldermen of the City is required by State statute to make the necessary appropriation for the amount certified, payable out of revenues of the City after deducting the amount necessary to make the City's indebtedness payments, and to pay City hospital, health department and lighting expenses, but it has been held that the Board of Aldermen is not required under the statute to appropriate for the Police Board for any Fiscal Year a sum in excess of \$66,634,713, which was the amount of the budget certified as of the effective date of the amendment to the Constitution of Missouri commonly known as the "Hancock Amendment," which became effective on December 4, 1980. See the caption "**FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS -- The Hancock Amendment**" herein.

Although the Board of Aldermen is not required to do so, it may appropriate sums for the Police Board in excess of \$66,634,713 per Fiscal Year, and the Board of Aldermen has done so for each of the past ten Fiscal Years. The Board of Aldermen, however, did not approve the entire amount of the initial budget submitted for each of those Fiscal Years. The budget as approved by the Board of Aldermen for Fiscal Year 1997 was \$101,926,606, for Fiscal Year 1998 was \$106,399,288 and for Fiscal Year 1999 was \$110,946,355. The Police Board entered into a lease agreement in August 1988 in connection with the \$12,890,000 Missouri Industrial Development Board's Capital Improvement and Refunding Leasehold Revenue Bonds, Series 1988 (Board of Police Commissioners of the City of St. Louis, Missouri, Lessee). The proceeds of the financing were used to purchase, construct and equip three new police stations. The lease was refinanced in June 1994 for \$13,725,000. The additional proceeds generated were used for further capital improvements. The lease obligation will be financed by a portion of the 1/4 cent sales tax earmarked for this purpose. The payments under the lease average \$1,423,000 per annum and have been herein included in the section "**DEBT OF THE CITY - Capital Leases.**"

The amount budgeted by the Board of Aldermen for the Police Board is included in the budget for the City's General Revenue Fund. See "**FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS - Budget Process**" herein. The budget of the Police Board is prepared under the cash basis of accounting and any unexpended appropriations lapse and are resumed to the City.

The Hancock Amendment

An amendment of the Missouri Constitution limiting taxation and government spending was approved by Missouri voters on November 4, 1980. The amendment (popularly known as the Hancock Amendment) limits the rate of increase and the total amount of taxes, which may be imposed in any Fiscal Year. The limit may not be exceeded without voter approval. Provisions are included in the amendment for rolling back tax rates to produce an amount of revenues equal to that of the previous year if the definition of tax base is changed or if property is reassessed. The tax levy on the assessed valuation of new construction is exempt from this limitation. The limitation on local governmental

units does not apply to taxes imposed for the payment of principal of and interest on general obligation bonds approved by the requisite percentage of voters.

The Hancock Amendment also requires political subdivisions of the State to obtain voter approval in order to increase any "tax, license or fee." The precise meaning and application of the phrase "tax, license or fee" is unclear, but recent decisions of the Supreme Court have indicated that it does not apply to traditionally set fees. The limitations imposed by the Hancock Amendment restrict the City's ability to increase many but not all taxes, licenses and fees without obtaining voter approval.

DEBT OF THE CITY

General

The City is authorized to issue general obligation bonds payable from unlimited ad valorem taxes upon a two-thirds (2/3) majority vote of the qualified voters voting on the specific proposition. In August 1988, Missouri voters approved an amendment to the Missouri Constitution. The amendment reduced the majority vote required for the incurring of debt for various public purposes by local government and other political subdivisions from two-thirds (2/3) to four-sevenths (4/7) at elections on the general municipal election days or the state primary or general election days. Because the City Charter presently requires a two-thirds (2/3) vote for the issuance of bonds of the City, voter approval of a Charter amendment is needed to reduce the majority requirements as authorized by the State constitutional amendment. Such a Charter amendment was submitted to City voters in August and November 1988; at each election the proposal received more than a majority of the votes cast, but less than the required 66%. The Missouri Constitution provides that the amount of bonds payable out of tax receipts (which includes bonds payable from the special assessments) will not exceed 10% of the total assessed valuation of the taxable property of the City. The Constitution permits the City to become indebted for an additional 10% of the value of the taxable tangible property for the purpose of acquiring a right-of-way, construction and extending and improving a sanitary or storm sewer system.

The City is also authorized to issue revenue bonds to finance capital improvements to its water system, sewer system and Airport facilities. These types of revenue bonds require a two-thirds vote of the qualified electorate voting on the specific proposition. All revenue bonds issued by the City are payable solely out of the revenue derived from the operation of the facility that is financed from the proceeds of such bonds. Revenue bonds do not constitute a pledge of the full faith and credit of the City and are not considered in determining the legal debt margins resulting from the limitations described herein.

Likewise, the City is authorized by statute to issue "Tax Increment Financing" obligations pertaining to development projects. In July 1991, the City issued \$15,000,000 of Tax Increment Revenue Bonds (Scullin Redevelopment Area), Series 1991A, for the St. Louis Marketplace project. Such obligations are secured by increments of revenues attributable to property and other taxes generated by improvements to the project area, and may also be secured by annual appropriations from the City's General Revenue Fund. As part of the St. Louis Marketplace financing, the City covenanted to request annual appropriations from the General Revenue Fund beginning in Fiscal Year 1993 to cover any shortfalls in the payment of debt service on these bonds until such time as the aforementioned incremental revenues are at least equal to 150% of the annual debt service payments on said bonds for five consecutive years. According to the Comptroller's office, the City has not covered any shortfalls to date; however there can be no assurances that they will not be called upon to do so in the future.

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Short-Term Borrowing

The City first issued Tax and Revenue Anticipation Notes ("TRANs") during Fiscal Year 1984. The following table sets forth certain information concerning the issuance of the most recent five years of TRANs:

<u>Fiscal Year</u>	<u>TRANs Issued During Fiscal Year</u>	<u>As a Percent of General Fund Revenues¹</u>
1995	56,000,000	16.76
1996	41,000,000	12.14
1997	37,000,000	10.76
1998	32,000,000	9.0
1999	38,000,000	11.2 ²

¹ The percent is based on cash, rather than modified accrual revenues. Revenue also includes transfers from other funds.

² Based on estimated General Fund Revenues.

Source: City Comptroller's Office.

Outstanding Debt

The following table sets forth the principal amount of all bonds, other than the above mentioned Tax Increment Financing obligations, issued by the City which were outstanding as of June 30, 1998:

<u>Bonds</u>	<u>Amount Outstanding</u>
General Obligation Bonds	\$ 2,000,000
Water Revenue Bonds	45,255,000
Parking Revenue Bonds	33,645,000
Airport Revenue Bonds	455,785,000
	<u>\$536,685,000</u>

Source: City Comptroller's Office.

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Capital Leases

The City has outstanding a number of lease-purchase agreements, which can be characterized as capital leases. The major agreements of this type are listed below:

Description	Amount Outstanding June 30, 1998	Remaining Term in Years	Issue Date
Convention and Sports Facility Project and Refunding Bonds ¹	\$ 68,120,000	22.0	Feb-97
Convention Center- 1993	144,217,205	18.0	Jun-93
Police Board Lease	11,470,000	10.0	Jun-94
Justice Center	108,540,000	21.0	Aug-96
Civil Courts Improvements	29,155,000	16.0	Jun-94
Forest Park Revenue Improvement	18,780,000	24.0	Mar-97
Kiel Site	13,605,000	18.0	Sept-97
Firemen's Retirement System	<u>28,695,000</u>	11.0	April-98
	<u>\$422,582,205</u>		

¹ This pertains to the lease financing by the City, St. Louis County, and the State of Missouri, of an east expansion of the Convention Center. The Bonds for the east expansion were issued by the regional Convention and Sports Complex Authority, an entity created by State law. In addition to lease payments to pay debt service on the Bonds, the City has agreed to pay the Authority \$1,000,000 per annum during the term of the Bonds to pay for renovations and repairs to the facility.

Source: City Comptroller's Office.

Direct and Overlapping Debt

The direct and overlapping general obligation debt of the City as of June 30, 1998 is set forth below:

	General Obligation Bonds Outstanding	Percent Applicable To St. Louis	City's Direct and Overlapping Debt
The City of St. Louis	\$ 2,000,000	100.00%	\$ 2,000,000
The Metropolitan St. Louis Sewer District-Mississippi River Subdistrict	9,150,000	31.6	2,891,400
Board of Education of the City of St. Louis	<u>152,099,454</u>	100.00	<u>152,099,454</u>
Total	<u>\$163,249,454</u>		<u>\$156,990,854</u>

Source: City Comptroller's Office

Debt Ratios

The following table sets forth the City's direct and overlapping general obligation debt ratios as of June 30, 1998. These figures do not include lease agreements.

	<u>Amount</u>	<u>Per Capita (1)</u>	<u>Ratio to Assessed Value</u>
Total Direct Debt	\$ 2,000,000	\$ 5.04	.08%
Total Direct and Overlapping Debt	\$156,990,854	\$395.76	4.29%

¹ Based on Population from U.S. Census, 1990 (396,685).

Source: City Comptroller's Office.

Legal Debt Margin

The following table sets forth the City's Legal Debt Margin as of June 30, 1998.

	<u>City Purposes Basic Limit</u>	<u>Streets and Sewers Additional Limit</u>
1997 Assessed Value	\$2,828,561,676	\$2,828,561,676
Debt limit - 10% of assessed value	282,856,168	282,856,168
Less: General Obligation Bonds	<u>2,000,000</u>	<u>--</u>
Legal Debt Margin	<u>\$ 280,856,168</u>	<u>\$ 282,856,168</u>

Source: Office of the Comptroller, City of St. Louis.

Principal and Interest Requirements on Direct Debt

The following table sets forth the principal and interest requirements on the City's general obligation indebtedness as of June 30, 1998:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998-1999	\$2,000,000	\$ 122,000	\$2,122,000

Source: City Comptroller's Office.

EMPLOYEES AND EMPLOYEE RELATIONS

The City currently employs approximately 6,600 persons who are paid from the City's General Revenue Fund, approximately 2,300 of whom are employees of the police department.

Under State law, employees of the City, including those of the police department, do not have the authority to bargain collectively. The salaries of employees of the police department are established by the Board of Police Commissioners within the maximum established by the General Assembly, with the provision that the City need not appropriate sums in excess of the limit established by the Hancock Amendment. Section 84.160 R.S. Mo. (1994, as amended). All employees, other than the commissioned employees of the police department, have "meet and confer" rights which means that they have the right to meet and confer with their employers to discuss salaries, benefits and other similar issues. The City is obliged to discuss these issues in good faith with its employees, although the discussions

are not binding. City police officers have no such rights. No City employee has the right to strike. The City considers its employee relations to be excellent.

RETIREMENT SYSTEMS

The City maintains three retirement plans covering substantially all full-time employees. The plans are The Employees' Retirement System, The Firemen's Retirement System, and The Police Retirement System. For each of the plans, liabilities for benefits are not limited to pension fund assets and are a statutory obligation of the City.

Contributions to all plans for the Fiscal Year ended June 30, 1998, totaled \$9,438,834 from the City's General Revenue Fund.

	Plan Benefits	Plan Assets	(In Thousands) Plan Assets in Excess of (Unfunded) Plan Benefits
Employee's Retirement System	\$ 381,346	\$ 415,346	\$ 34,000
Police Retirement System	572,172	615,114	42,942
Firemen's Retirement System	363,323	376,824	13,501

Source: City Comptroller's Office.

INSURANCE AND LITIGATION

During the past three years, the City has utilized a combination of insurance and self-insurance for risk protection. Certain coverage has been obtained for high risk activities or as required by law. In the case of possible damage to City property, repair or replacement costs, if excessive in nature, would have to be made from the operating budget, or possibly, bond funds. All liability claims not covered by insurance are handled by the City Counselor's Office. The City's staff of attorneys attempts to settle or defend all claims which may be made. Each year an appropriation is made to a judgment account, which is segregated and reserved in a non-profit corporation from which all judgments or settlements are paid. Expenditures during the last five Fiscal Years were:

Fiscal Year	Expenditures
1994	2,086,672
1995	2,826,285
1996	1,963,802
1997	3,463,703
1998	1,782,545

Source: City Comptroller's Office.

During Fiscal Year 1992, the City turned the administration of all workers' compensation responsibilities over to the Public Facilities Protection Corporation. A third party administrator was contracted to process all claims and make recommendations regarding workers' compensation concerns. The utilization of a third party administrator working with improved City safety efforts has resulted in a reduction of numbers and severity of workers' compensation claims. This has also enabled the City to process claims and payments more timely as well as provide more timely and accurate statistical data.

In May 1991, the City with voter approval imposed a natural gas transportation license tax upon consumers of 11% upon the purchase price of natural gas and methane purchased from suppliers outside the City and transported into the City for commercial and industrial use. The annual proceeds from this tax was approximately \$1,450,000. Two lawsuits, Alumax Foils, Inc. et al. vs. City of St. Louis, et al., and Warner - Jenkinson, Inc. vs. City of St. Louis, were

filed by certain large volume gas consumers challenging this tax. Approximately \$5.5 million in tax payments were made under protest by the plaintiffs through December 31, 1997. On March 21, 1995, the Circuit Court of the City of St. Louis upheld the validity of the tax in the Alumax consolidated matter. The plaintiffs filed an appeal of the Circuit Court's decision to the Supreme Court. After oral argument on the case, the Supreme Court transferred the appeal to the Missouri Court of Appeals, Eastern District, holding that the case did not fall within the Supreme Court's exclusive jurisdiction. On November 4, 1997 the Court of Appeals handed down an opinion in which it held that the City did not have statutory or constitutional authority to impose the tax. That decision is now final, and the City has refunded the amounts held in escrow, except for approximately \$150,000 which is still subject to dispute.

In a decision handed down on March 26, 1996, Associated Industries of Missouri v. Director of Revenue, the Missouri Supreme Court held that the Missouri Local Use Tax is invalid. In a case in which the City of St. Louis intervened, the Circuit Court of Cole County in St. Charles County vs. Lohman, held that taxpayers were entitled to refunds of local use taxes previously paid and that the Director of Revenue had the authority to withhold funds from local government distribution amounts necessary to provide funds for such refunds. The City of St. Louis and the other local government entities included in this suit, as well as the Director of Revenue, appealed the decision to the Missouri Supreme Court. On January 27, 1998, the Missouri Supreme Court rendered an opinion in which it held that refunds were due and that the Department of Revenue could withhold funds from local governments' sales tax revenues to pay such refunds. However, the Supreme Court held that the vast majority of these claims were governed by a two (2) year statute of limitations rather than a three (3) year statute and that such refunds were to be without interest, reducing the City's total liability from approximately \$14.3 million to \$7.1 million. The City has refunded the amount of its liability to taxpayers and anticipates that it may be entitled to a small rebate with respect to such payments.

The City had a written contract with St. Louis Regional Health Care Corporation ("RHCC") under which RHCC provided indigent health care services. The contract expired in December 1995, but RHCC continued to provide health care services to the poor. On July 15, 1997, the City and RHCC reached an agreement whereby the parties would mutually dismiss all claims and counterclaims filed in connection with a previously filed lawsuit. Pursuant to the terms of the agreement, the City agreed to pay for transition costs of up to \$8.3 million incurred by RHCC during a ninety-day transition period during which RHCC agreed to provide health care services to uninsured or underinsured citizens of the City who have little or no ability to obtain adequate insurance coverage. After such period, indigent health care services would be provided by a nonprofit corporation created to provide such services. The costs to the City are not expected to exceed \$3.2 million, and the Comptroller of the City has the authority to audit all costs during the transition period. See "FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS - St. Louis Regional Health Care Corporation" herein.

In a decision rendered on December 22, 1997, in a case styled Conlon Group v. City of St. Louis, the Circuit Court of the City awarded a property owner the sum of \$4.2 million in an action for inverse condemnation. The plaintiff contended that it was deprived of any viable use of its property by virtue of the City's refusal to grant it a permit to demolish the structure on the property and convert the property to a surface parking lot. The City contended that the property owner had entered into a development agreement with the City under which it agreed to rehabilitate the existing structure. The decision of the Circuit Court was reversed on appeal and the plaintiff's motion for rehearing or transfer to the Missouri Supreme Court was denied by the Court of Appeals. The property owner has subsequently filed motions for rehearing or transfer with the Missouri Supreme Court.

On September 30, 1998, the Federal Aviation Administration ("FAA") announced its Record of Decision ("ROD") on the City's request for approval of an amendment to the approved Airport Layout Plan for Lambert-St. Louis International Airport. In its ROD, the FAA approved the City's planned construction of a new approximately 9,000 foot runway that will extend into what is now the Carrollton subdivision in the City of Bridgeton. As a result of the ROD, the City of Bridgeton filed two actions seeking to prevent construction of the new runway.

First, Bridgeton filed suit in the Circuit Court of the City of St. Louis, styled City of Bridgeton v. City of St. Louis, cause no. 984-01840, Div. 2, seeking a declaration that the City cannot construct Airport related improvements in the City of Bridgeton contrary to Bridgeton's zoning ordinance. In its lawsuit, Bridgeton contends that the construction of a new runway as approved by the ROD constitutes the construction of a new airport in the City of Bridgeton, rather than expansion of an existing airport. In a prior case between the parties, styled City of St. Louis v. City of Bridgeton, 705 S.W.2d 524 (Mo.App. 1985), the Court of Appeals held that the City of St. Louis was authorized to construct an Airport employee parking lot on property the Airport owned in the City of Bridgeton, even though such

use was contrary to Bridgeton's zoning code. Based upon this decision, the City believes that it will prevail on the merits of this action.

Second, Bridgeton filed a petition for review of the ROD in the U.S. Court of Appeals for the Eighth Circuit. The respondents in this case are the FAA and the U.S. Department of Transportation. The eighth Circuit recently held that the City may file a Reply to Bridgeton's petition under amicus status. The U.S. Justice Department has advised the City that the federal government has never lost a ROD case involving airport expansion.

Two petitions for review similar to the last Bridgeton action have recently been filed in the U.S. Court of Appeals for the Eighth Circuit by the City of St. Charles, Missouri and the County of St. Charles, Missouri. Both petitions claim that the FAA violated the National Environmental Policy Act, the Department of Transportation Act and the National Historic Preservation Act. The City intends to pursue a consistent course of action with regard to all such litigation.

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Appendix C

Audited Financial Statements of the Airport



**LAMBERT - ST. LOUIS
INTERNATIONAL AIRPORT**

Financial Statements and Supplementary Information

June 30, 1998

(With Independent Auditors' Report Thereon)

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

Financial Statements and Supplementary Information

June 30, 1998

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KPMG Peat Marwick LLP

10 South Broadway
Suite 900
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Independent Auditors' Report

Honorable Mayor and Members of
the Board of Aldermen of the
City of St. Louis, Missouri

We have audited the financial statements of Lambert-St. Louis International Airport (the Airport), an enterprise fund of the City of St. Louis, Missouri (the City) as of and for the year ended June 30, 1998, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Lambert-St. Louis International Airport as of and for the year ended June 30, 1997 were audited by other auditors whose report dated October 1, 1997, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only Lambert-St. Louis International Airport, and are not intended to present fairly the City's financial position, and the results of its operations and cash flows in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lambert-St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri, as of June 30, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in note 11 to the financial statements, the Airport adopted Governmental Accounting Standards Board (GASB) Statement No. 27, *Accounting for Pensions for State and Local Governmental Employers*, during 1998. Also as discussed in note 2 to the financial statements, the Airport also adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, during 1998.

KPMG Peat Marwick LLP

October 30, 1998

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Balance Sheets

June 30, 1998 and 1997

(Dollars in thousands)

Assets	1998	1997
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 13,355	9,238
Accounts receivable, net	17,319	12,230
Inventories	2,336	2,082
Due from City of St. Louis	–	31
Other current assets	609	1,398
	33,619	24,979
Restricted assets:		
Cash and cash equivalents	39,266	35,053
Accrued interest receivable	7,459	1,014
Passenger facility charge receivable	6,341	6,002
Government grants receivable	4,407	1,805
	57,473	43,874
Total current assets	91,092	68,853
Restricted investments, at fair value	369,347	201,612
Property, plant, and equipment, net	617,959	551,596
Deferred bond issue costs	7,484	5,285
Intangible assets	26,152	29,324
Other assets	227	1,196
Total assets	\$ 1,112,261	857,866

See accompanying notes to financial statements.

Liabilities and Fund Equity	1998	1997
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued expenses	\$ 11,986	8,950
Due to City of St. Louis	2,971	2,056
	14,957	11,006
Payable from restricted assets:		
Current maturities of revenue bonds payable	20,875	19,850
Accrued interest payable	13,454	8,631
Contracts and retainage payable	13,471	9,347
Deferred revenue-passenger facility charge	6,341	6,002
	54,141	43,830
Total current liabilities	69,098	54,836
Long-term liabilities:		
Revenue bonds payable	445,641	267,626
Other long-term liabilities	6,471	5,900
	452,112	273,526
Total liabilities	521,210	328,362
Fund equity:		
Contributed capital:		
Government grants and other aid	184,545	175,308
City of St. Louis	24,045	24,045
	208,590	199,353
Retained earnings:		
Reserved for revenue bond requirements	88,379	66,997
Unreserved	294,082	263,154
	382,461	330,151
Total fund equity	591,051	529,504
Total liabilities and fund equity	\$ 1,112,261	857,866

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Statements of Revenues and Expenses

Years ended June 30, 1998 and 1997

(Dollars in thousands)

	1998	1997
Operating revenues:		
Aviation revenue:		
Airfield	\$ 36,382	33,793
Terminal and concourses	17,747	15,567
Hangars and other buildings	693	665
Cargo buildings	1,633	1,610
Concessions	29,091	27,953
Parking and miscellaneous	2,415	1,913
Lease revenue	7,829	7,829
Total operating revenue	95,790	89,330
Operating expenses:		
Personal services	27,549	25,246
Supplies	2,465	2,603
Materials	911	864
Equipment	317	315
Contractual services	13,939	13,974
Miscellaneous and fixed charges	12,691	13,298
Amortization	3,172	3,172
Depreciation:		
Noncontributed assets	18,128	17,297
Contributed assets	5,058	4,951
Total operating expenses	84,230	81,720
Income from operations	11,560	7,610
Nonoperating income (expenses):		
Investment income	24,193	13,203
Interest expense	(26,207)	(18,636)
Passenger facility charges	38,766	37,617
Other, net	(1,060)	(240)
Total nonoperating income, net	35,692	31,944
Net income	\$ 47,252	39,554

See accompanying notes to financial statements.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Statements of Changes in Fund Equity

Years ended June 30, 1998 and 1997

(Dollars in thousands)

	Contributed Capital			Retained Earnings			Total Fund Equity
	Government Grants and Other Aid	City of St. Louis	Total	Reserved for Revenue Bond Requirements	Unreserved	Total	
Balance at June 30, 1996	\$ 167,725	24,045	191,770	66,000	219,646	285,646	477,416
Net income	–	–	–	–	39,554	39,554	39,554
Depreciation on contributed assets	(4,951)	–	(4,951)	–	4,951	4,951	–
Government grants	12,534	–	12,534	–	–	–	12,534
Decrease in reserve for revenue bond requirements	–	–	–	997	(997)	–	–
Balance at June 30, 1997	175,308	24,045	199,353	66,997	263,154	330,151	529,504
Net income	–	–	–	–	47,252	47,252	47,252
Depreciation on contributed assets	(5,058)	–	(5,058)	–	5,058	5,058	–
Government grants	14,295	–	14,295	–	–	–	14,295
Increase in reserve for revenue bond requirements	–	–	–	21,382	(21,382)	–	–
Balance at June 30, 1998	\$ 184,545	24,045	208,590	88,379	294,082	382,461	591,051

See accompanying notes to financial statements.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**Statements of Cash Flows**

Years ended June 30, 1998 and 1997

(Dollars in thousands)

	1998	1997
Cash flows from operating activities:		
Income from operations	\$ 11,560	7,610
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization	27,321	25,420
Changes in assets and liabilities:		
Accounts receivable, net	(5,089)	(2,631)
Inventories	(254)	12
Other assets	1,758	147
Accounts payable and accrued expenses	29	2,247
Due to/from City of St. Louis	946	370
Contracts and retainage payable	3,996	592
Other long-term liabilities	571	(798)
Total adjustments	29,278	25,359
Net cash provided by operating activities	40,838	32,969
Cash flows from capital and related financing activities		
Cash collections from passenger facility charges	38,766	37,528
Receipt of federal financial assistance	12,126	874
Acquisition and construction of capital assets	(87,920)	(67,463)
Proceeds from sale of property and equipment	13	–
Proceeds from issuance of revenue bonds	193,908	–
Principal paid on revenue bond maturates	(19,850)	(17,205)
Interest paid on revenue bonds	(21,384)	(17,187)
Net cash provided by (used in) capital and related financing activities	115,659	(63,453)
Cash flows from investing activities:		
Purchases of investments	(253,808)	(466,569)
Proceeds from sales and maturates of investments	89,510	425,705
Investment income	16,131	8,648
Net cash used in investing activities	(148,167)	(32,216)
Net increase (decrease) in cash and cash equivalents	8,330	(62,700)
Cash and cash equivalents		
Beginning of year:		
Unrestricted	9,238	14,267
Restricted	35,053	92,724
	44,291	106,991
End of year:		
Unrestricted	13,355	9,238
Restricted	39,266	35,053
	\$ 52,621	44,291

See accompanying notes to financial statements.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

June 30, 1998 and 1997

(Dollars in thousands)

(1) Summary of Significant Accounting Policies

The Lambert - St. Louis International Airport (Airport) is owned and operated by the City of St. Louis, Missouri (City). The Airport is an enterprise fund of the City and, therefore, the financial statements of the Airport are not intended to present the financial position and results of operations of the City as a whole in conformity with generally accepted accounting principles.

(a) Basis of Accounting

Governmental enterprise funds are used to account for operations of governmental entities that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Airport prepares its financial statements in accordance with generally accepted accounting principles for governmental enterprise funds, which are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

In reporting its financial activity, the Airport applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB), Statements and Interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

(b) Accounts Receivable/ Accounts Payable

Accounts receivable is comprised primarily of amounts due from air carriers and concessionaires with operations at the Airport. Such amounts are net of allowances for uncollectible accounts of \$290 and \$292 at June 30, 1998 and 1997, respectively.

In addition, accounts receivable includes unbilled airfield revenue for the period from January through June amounting to \$4,342 and \$3,809 at June 30, 1998 and 1997, respectively, determined in accordance with the provisions of long-term use agreements between the Airport and the applicable air carriers (commonly referred to as Signatory Airlines). At June 30, 1998 and 1997, TWA owed \$2,249 and \$2,565, respectively, of the unbilled airfield receivables. Amounts due or payable under the use agreements are settled annually with Signatory Airlines on a calendar-year basis (see Note 6).

As a result of the settlement process, as described in the preceding paragraph, made during fiscal year 1998 for the calendar year 1997, the airlines, at June 30, 1998, owe the Airport \$3,176. TWA is responsible for \$2,239 of this balance. These amounts will be paid from July through December 1998 and are included in accounts receivable at June 30, 1998.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

In the prior year, the airlines owed the Airport \$2,451 as a result of this settlement process. This amount was included in accounts receivable at June 30, 1997.

(c) Inventories

Inventories represent supplies and materials used in support of operations and maintenance of the Airport. Inventory amounts are recorded at cost using a method which approximates the first-in, first-out method.

(d) Government Grants Receivable

Government grants receivable represents amounts expected to be received from the Federal Aviation Administration (FAA) in connection with the Airport's participation in the FAA's noise mitigation and various airport improvement programs.

(e) Passenger Facility Charges (PFCs)

The Airport collects a \$3 facility charge per enplaned passenger to fund approved FAA projects. The PFC is withheld by the respective airlines for each ticket purchased and transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less an \$.08 per ticket operating fee retained by the airlines. PFC revenue is recognized when received by the Airport and is classified as nonoperating revenue.

(f) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets.

Land is recorded at cost which, in addition to the purchase price, includes appraisal and legal fees, demolition and homeowner relocation costs. Construction in progress represents costs incurred by the Airport for plant and equipment designed to expand, replace or extend useful lives of existing Airport facilities that have not yet been placed in service.

Net interest costs on funds borrowed to finance the construction of property, plant and equipment are capitalized and amortized over the life of the related asset. During the years ended June 30, 1998 and 1997, respectively, \$676 and \$573 in interest costs were capitalized.

(g) Deferred Bond Issue Costs

Deferred bond issue costs represent costs related to the issuance of the Airport's outstanding revenue bonds. Such amounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the interest method.

(h) Other Long-Term Liabilities

In June 1995, the Airport entered into a forward purchase agreement with certain financial institutions. Under this agreement, the Airport received a lump-sum interest payment of \$7,209 (present value of future interest earnings based on an interest rate of 6.34%) and deposited it into the debt service accounts related to the Airport Revenue Bonds, Series 1987 (Bond Series 1987), Airport Revenue Refunding and Improvement Bonds, Series 1992 (Bond Series 1992), Taxable Airport Revenue Refunding Bonds, Series 1993 (Bond Series

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

1993), and Taxable Airport Revenue Bonds, Series 1993A (Bond Series 1993A). In exchange, the Airport has contracted to buy qualified eligible securities (as defined in the agreement) from these institutions on the 15th of every month until the bonds mature, are called or are refinanced. The institutions receive the actual interest earned on the Airport securities purchased every month. The difference between the fixed interest rate earned by the Airport and the variable interest rate paid to the institutions is recorded as a net adjustment to interest income. In April 1996, this agreement was amended to replace the Bond Series 1987 with the Airport Revenue Refunding Bonds, Series 1996 (Bond Series 1996). A \$95 termination payment was made in consideration for the amendment.

The Airport's obligation under the forward purchase agreement of \$5,058 and \$5,633, at June 30, 1998 and 1997, respectively, is recorded in other long-term liabilities.

(i) Capital Leases

Lease revenue during 1998 and 1997 represents income from Trans World Airlines, Inc. (TWA) relating to equipment leases (see Note 7).

(j) Vacation and Sick Leave Benefits

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave. Sick leave benefits for employees vest at retirement. At June 30, 1998, management estimates sick leave termination benefits will not be significant. Sick leave benefits did not vest prior to 1998.

The vacation liability reflects amounts attributable to employee services already rendered and are cumulative. The liability totaled \$2,137 and \$1,851 as of June 30, 1998 and 1997, respectively, and is included in accounts payable and accrued expenses.

(k) Contributed Capital

Contributed capital represents government grants and other aid and contributions from the City used to fund capital projects. Such amounts are generally recognized as contributed capital when the expenditure is made and amounts become subject to claim for reimbursement. Depreciation recorded on property, plant and equipment acquired through government grants is charged to operations and reclassified to the related contributed capital account.

(l) Statements of Cash Flows

For purposes of the statements of cash flows, cash and cash equivalents is defined as all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

(2) Cash and Investments

During 1998, the Airport adopted Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB31). This statement provides guidance for recording certain investments at fair value. Fair value for investments is determined by closing market prices at year-end as reported by the investment custodian. There was no restatement of either 1997 or 1998 financial statement amounts as the effects of the adoption of GASB 31 were not significant.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

The Airport deposits all cash with the Office of the Treasurer of the City, which maintains all banking relationships for the Airport. Additionally, all investment decisions are made by the City Treasurer and the City's agents.

Certificates of deposit are defined as investments for balance sheet classification and cash flow purposes; for risk disclosure, however, they are described below as cash deposits. In addition, money market mutual funds are classified as cash and cash equivalents on the balance sheet but as investments for risk disclosure.

At June 30, 1998 and 1997, the carrying amount of the Airport cash deposits was \$52,568 and \$44,318 and the bank balances were \$51,486 and \$49,145, respectively. The bank balances at June 30, 1998 and 1997 were entirely covered by collateral held in the pledging bank's trust department or agent in the City's name.

State statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. Investments may be made in obligations of the United States government or any agency or instrumentality thereof; bonds of the State of Missouri, the City of St. Louis, or any city within the state with a population of 400,000 inhabitants or more; or time certificates of deposit; provided, however, that no such investment shall be purchased at a price in excess of par. In addition, the City may enter into repurchase agreements maturing and becoming payable within 90 days secured by United States Treasury obligations or obligations of the United States Government agencies or instrumentalities of any maturity as provided by law. City funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in the City's name.

The Airport's investments are categorized below to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City's name.

	<u>Carrying value</u>		Category
	1998	1997	
Investments:			
U.S. Government agency securities	\$ 338,992	157,443	3
Money market mutual fund	30,408	44,142	N/A
	\$ 369,400	201,585	

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

(3) Restricted Assets

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 1998 and 1997:

	1998	1997
Airport Bond Fund		
Debt Service Account	\$ 28,894	28,528
Debt Service Reserve Account	66,367	38,469
Airport Renewal and Replacement Fund	3,500	3,500
Passenger Facility Charge Fund	46,619	48,905
Airport Development Fund	12,481	8,815
Airport Construction Fund	242,039	99,735
Airport Contingency Fund	8,713	8,713
	\$ 408,613	236,665

City ordinances require that revenues derived from the operation of the Airport be deposited into the Airport Revenue Fund. From this fund, the following allocations are made (as soon as practicable in each month after the deposit of revenues but no later than five business days before the end of each month) in the following order of priority:

- (a) Unrestricted Airport Operation and Maintenance Fund: an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
- (b) Airport Bond Fund: for credit to the Debt Service Account if and to the extent required so that the balance in said account shall equal the accrued aggregate debt service on the bonds, to the last day of the then current calendar month. This account shall be used only for payment of bond principal and interest as the same shall become due.
- (c) Airport Bond Fund: for credit to the Debt Service Reserve Account: an amount sufficient to maintain a balance in such account equal to the debt service reserve requirement (an amount equal to the greatest amount of principal and interest due in any future fiscal year). This account shall be available for deficiencies in the Debt Service Account on the last business day of any month, and the balance shall be transferred to the Debt Service Account whenever the balance in the Debt Service Account (before the transfer) is not sufficient to fully pay all outstanding bonds.
- (d) Airport Renewal and Replacement Fund: an amount equal to \$57; provided that no deposit shall be required to be made into said fund whenever and as long as uncommitted monies in said fund are equal to or greater than \$3,500 or such larger amount as the City shall determine is necessary for purposes of said fund; and provided further that, if any such monthly allocation to said fund shall be less than the required amounts, the amount of the next succeeding monthly payments shall be increased by the amount of such deficiency. This fund shall be used for paying costs of renewal or replacement of capital items used in connection with the operation of the Airport.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

- (e) A subaccount in the Revenue Fund: an amount determined from time-to-time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport fiscal year, the balance in such subaccount shall equal the amounts payable to the City with respect to such Airport fiscal year for the payment of 5% of gross receipts from operations of the Airport. A maximum of 80% of the monthly transfer to this subaccount may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport Bond Fund Trustee.
- (f) Airport Contingency Fund: an amount determined at the discretion of Airport management, to be used for the purchase or redemption of any bonds; payments of principal or redemption price of an interest on any subordinated debt; improvements, extensions, betterments, renewals, replacements, repairs, maintenance or reconstruction of any properties or facilities of the Airport; or the provision of one or more reserves. These funds can also be used for any other corporate purpose of the Airport, the local airport system or other local facilities which are owned or operated by the City and are directly related to the actual transportation of passengers or property.
- (g) The remaining balance in the Revenue Fund shall be deposited into the Airport Development Fund. This fund shall be used for extensions and improvements to the Airport, including equipment acquisition.

City ordinances provide that in the event the sums on deposit in the Airport Bond Fund - Debt Service and Debt Service Reserve Accounts are insufficient to pay accruing interest, maturing principal or both, the balance in the Airport Contingency Fund, Airport Development Fund, and Airport Renewal and Replacement Fund may be drawn upon, to the extent necessary, to provide for the payment of such interest, principal or both. Any sums so withdrawn from these accounts for said purposes shall be restored thereto in the manner provided for in their original establishment. City ordinances also provide that the principal proceeds from the sale of Airport revenue bonds shall be held in the Airport Construction Fund from which they shall be disbursed for the purposes contemplated in these ordinances.

(4) Property, Plant, and Equipment

Property, plant, and equipment at June 30, 1998 and 1997 consist of the following:

	1998	1997
Pavings	\$ 226,141	202,916
Buildings and facilities	310,582	239,559
Equipment	54,767	45,704
	591,490	488,179
Less accumulated depreciation	297,561	276,540
	293,929	211,639
Land	257,149	240,081
Construction in progress	66,881	99,876
	\$ 617,959	551,596

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

The estimated useful lives of property, plant and equipment are as follows:

	<u>Years</u>
Pavings	18-25
Buildings and facilities	20-30
Equipment	2-20

(5) Revenue Bonds Payable

Bonds outstanding at June 30, 1998 and 1997 are summarized as follows:

	1998	1997
Bond Series 1992, interest rates ranging from 5% to 6.125%, payable in varying amounts through 2016	\$ 102,790	106,030
Bond Series 1993, interest rates ranging from 4.95% to 6.2%, payable in varying amounts through 2006	90,130	99,315
Bond Series 1993A, interest rates ranging from 5.15% to 6.65%, payable in varying amounts through 2006	49,815	54,610
Bond Series 1996, interest rates ranging from 4% to 6%, payable in varying amounts through 2007	34,320	36,950
Bond Series 1997, interest rates ranging from 4.10% to 5.25%, payable in varying amounts through 2027	199,605	—
	476,660	296,905
Less:		
Current maturates	20,875	19,850
Unamortized discount and premiums	4,062	1,769
Deferred amount on refunding	6,082	7,660
	31,019	29,279
	\$ 445,641	267,626

Interest payments on the above issues are due semiannually on January 1 and July 1.

On August 15, 1997 the Airport issued \$199,605 in Airport Revenue Bonds, Series 1997 primarily for the purpose of funding certain Airport capital projects. The net proceeds from the Series 1997 Bonds was \$193,908 (which includes an original issue discount of \$2,535 and payment of \$3,162 in underwriting fees, insurance, legal, accounting, and other issuance costs). All bond series are secured by the net revenues from the operations of the Airport.

The deferred amount related to the refunded Bond Series 1984 and Bond Series 1987 of \$6,082 and \$7,660 at June 30, 1998 and 1997, respectively, is included in revenue bonds payable on the balance sheet and is amortized using the bonds outstanding method over the life of the new bonds.

The Airport was in compliance with all significant bond covenants with respect to the above issues at June 30, 1998 and 1997.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

As of June 30, 1998, aggregate debt service requirements for the next five years and thereafter of the above issues are as follows:

	Principal	Interest	Total
Year ending June 30:			
1999	\$ 20,875	26,368	47,243
2000	21,990	25,235	47,225
2001	24,300	23,988	48,288
2002	26,615	22,603	49,218
2003	27,530	18,531	46,061
Thereafter	355,350	206,223	561,573
	\$ 476,660	322,948	799,608

In prior years, the Airport advance refunded \$154,900 of Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on the prior bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements. At June 30, 1998 and 1997, \$70,760 and \$74,375, respectively, of bonds are considered defeased.

(6) Use Agreements and Leases With Signatory Air Carriers

The Airport has long-term use agreements and leases with signatory air carriers which expire on December 31, 2005. Under the terms of the use agreements and leases, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

- (a) Landing fees are calculated based on estimated operating and maintenance expenses of the airfield, including depreciation and interest expense, and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment which is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue - airfield.
- (b) Rentals are calculated based on estimated operating and maintenance expenses, including depreciation and interest, of the terminal and concourse areas and hangars, cargo and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment which is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue - terminal and concourses, hangars and other buildings, or cargo buildings, respectively.
- (c) Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

During fiscal years 1998 and 1997, revenues from signatory air carriers accounted for 64% and 63%, respectively, of total Airport operating revenues.

Minimum future rentals for each year in the next five years and in the aggregate are not determinable given the method of calculation.

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the years ended June 30, 1998 and 1997:

1998			
	Signatory	Non-signatory	Total
Airfield	\$ 33,450	2,932	36,382
Terminal and concourses	17,318	429	17,747
Hangars and other buildings	639	54	693
Cargo buildings	1,633	–	1,633
	\$ 53,040	3,415	56,455

1997			
	Signatory	Non-signatory	Total
Airfield	\$ 31,000	2,793	33,793
Terminal and concourses	15,030	537	15,567
Hangars and other buildings	619	46	665
Cargo buildings	1,610	–	1,610
	\$ 48,259	3,376	51,635

(7) Financial Condition of and Transactions With Major User

Trans World Airlines, Inc. (TWA) represents the major air carrier providing air passenger service at the Airport. TWA provided 47% and 46%, respectively, of the Airport's total operating revenues and 70% of total revenues from signatory air carriers for the fiscal years ended June 30, 1998 and 1997.

During the period from 1992 through 1995, TWA underwent two separate Chapter 11 reorganizations, the first in 1992-93 and the second in 1995.

The City purchased from TWA, all of TWA's leasehold interests relating to the use of certain gates, terminal support facilities, air cargo facilities and improvements at the Airport, together with related personal property, leasehold interest in a hangar and office building and a flight training facility (Purchased Assets).

TWA has a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. If during any month TWA has an average of less than 190 regularly scheduled departures, the City has the right to reclaim and redesignate the use of gates and terminal support facilities and equipment to other airlines so that TWA would retain only that number of gates which represents an average of 3.33 daily flight departures per gate. Also under the lease agreements, if

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

TWA fails to make a payment of any rents, fees or charges, the City may terminate all of TWA's airport agreements and retain ownership of all assets acquired under the purchase transaction.

Lease revenue from TWA was \$7,829 for the years ended June 30, 1998 and 1997. Accounts receivable at June 30, 1998 and 1997 contained \$9,272 and \$5,538, respectively relating to amounts owed to the Airport by TWA.

TWA's independent public accountants issued an unqualified opinion within their report dated March 4, 1998, on the financial statements of TWA as of and for the year ended December 31, 1997. TWA reported a net loss of \$110.8 million for the twelve months ended December 31, 1997, compared to a net loss of \$284.8 million for the same period in 1996. In addition, the reported net loss for the six month period ended June 30, 1998, decreased to \$29 million from a net loss of \$82 million posted during the six months ended June 30, 1997. TWA's management attributes this improvement in performance to reductions in operating expenses such as salaries, wages and benefits, aircraft fuel and oil expense and passenger sales commission expenses all of which relate primarily to elimination of unprofitable routes and planned reductions in capacity. TWA's current business strategy includes, among other things, phasing out older wide-body planes and updating its fleet with new and newer vintage aircraft, consolidating most of its JFK Airport operations into a single terminal and eliminating historically unprofitable international routes. Although TWA has adopted various strategies designed to increase revenues and improve its results of operations, there can be no assurance TWA will attain its objectives or return to profitability in the future.

Various other factors could adversely affect TWA. The resolution of claims arising from the crash of TWA Flight 800 on July 17, 1996 and the availability of insurance to cover such claims could adversely affect TWA's financial condition or its public image. TWA is currently a defendant in a number of lawsuits related to the crash. Negotiations for new collective bargaining agreements with certain of TWA's employees are ongoing and any resulting substantial increase in labor costs could be particularly damaging to TWA. Failure to implement successfully current plans to reduce the average age of TWA's planes and to meet federal noise reduction standards could adversely affect operations. An adverse result in TWA's appeal of an unfavorable ruling in favor of Karabu Corporation and Carl C. Icahn against TWA related to an agreement to market and sell tickets to the public could have an adverse effect on TWA's revenue. Any or all of these or other factors could result in a material adverse effect on TWA's operations or financial condition and adversely affect its financial viability.

Should the Airport incur a substantial loss of revenue from TWA and any Airport contingency plan to replace such revenue prove unsuccessful, the City's ability to make payments of principal, premium, if any, and interest on the outstanding bonds could be adversely affected. However, payment of the principal and interest on outstanding bonds is insured by a bonds insurance policy.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

(8) Operating Leases

The Airport leases facilities and land with varying renewal privileges to various nonsignatory air carriers, concessionaires and others. These leases, for periods ranging from 1 to 50 years, require the payment of minimum annual rentals. The following is a schedule by year of minimum future rentals on noncancellable operating leases, other than leases with signatory airlines pursuant to long-term use agreements:

Year ending June 30:		
1999	\$	8,051
2000		4,803
2001		3,953
2002		2,184
2003		1,936
Thereafter		24,459
Total minimum future rentals		\$ 45,386

The above amounts do not include contingent rentals which may be received under certain leases. Such contingent rentals amounted to \$26,278 and \$25,010 for the years ended June 30, 1998 and 1997, respectively.

The Airport leases computer and other equipment and has service agreements under noncancellable arrangements which expire at various dates through 2003. Expenses for operating leases and service agreements were \$1,264 and \$1,193 for the years ended June 30, 1998 and 1997, respectively. Future minimum payments are as follows:

Year ending June 30:		
1999	\$	1,141
2000		39
2001		22
2002		14
2003		12
Total minimum future rentals		\$ 1,228

(9) Concessionaire Revenues

During fiscal years 1998 and 1997, revenues from concessionaires accounted for 30% and 31%, respectively, of total Airport operating revenues.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

Following is a summary of rental revenues received by type of concessionaire for the years ended June 30, 1998 and 1997:

	1998	1997
Advertising	\$ 877	655
Transportation services	273	264
Automobile rental	7,928	7,085
General merchandise sales	1,861	1,847
Parking services	9,691	9,203
Food and catering services	4,826	5,080
Other	3,635	3,819
	\$ 29,091	27,953

(10) Related-Party Transactions

During the years ended June 30, 1998 and 1997, the City charged the Airport \$1,433 and \$1,321, respectively, for services rendered by various City departments, which are included in the Airport's operating expenses. Charges for such services will be recurring and are not necessarily related to the actual time spent by the employees of these City departments or to materials furnished in providing such services.

Each year the Airport pays the City a gross receipts tax equal to 5% of the Airport's gross receipts. During the years ended June 30, 1998 and 1997, gross receipts tax expense of the Airport was \$4,449 and \$4,154, respectively. As of June 30, 1998 and 1997, \$1,562 and \$1,395, respectively, remain unpaid.

(11) Retirement Plans

All employees of the Airport are covered by one of two City-wide employee retirement plans. The employees of the Airport Fire Department are covered by the Firemen's Retirement System of St. Louis (Firemen's System), a single-employee defined benefit retirement plan. All other employees are covered by the Employees' Retirement System of the City of St. Louis (Employees' System), a cost-sharing, multiple-employer defined benefit retirement plan. Each system is administered by a separate Board of Trustees, who are appointed by City officials and plan participants. As Airport employees comprise only a portion total plan participants, no separate accrued liabilities or segregation of net assets available for plan benefits is maintained related to the Airport's participation.

In 1998, the Airport adopted Governmental Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, which changed the accounting and disclosure requirements for governmental employers.

Firemen's Retirement System of St. Louis

(a) System Description

All firefighters qualify as members of the Firemen's System and are thereby eligible to participate from their date of hire.

The Firemen's System issues a publicly available financial report that includes financial

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

statements and supplementary information. That information may be obtained by writing to the Firemen's Retirement System of St. Louis; The Chouteau Center; 133 S. 11th Street, Suite 530; St. Louis, Missouri, 63102-1135.

Firefighters may elect voluntary retirement after 20 or more years of service. The monthly retirement benefit is calculated at 40% of the final two year average monthly compensation at 20 or more years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of such final average compensation for each additional year of service over 25 years with a maximum pension of 75% (prior to November 28, 1995 the monthly retirement benefit was 4% of final average compensation for each additional year of service after 25 years with a maximum pension of 70%). Any unused accrued sick leave will be added to the years of service used to determine the monthly pension allowance.

The Firemen's System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are authorized by State statutes and adopted by City ordinance.

The Firemen's System, in accordance with Ordinance 62994 of the City, initiated during the System's fiscal year ended August 31, 1994, the Deferred Retirement Option Plan (DROP). The DROP plan is available to members of the system who have achieved at least 20 years of creditable service and have eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly into the DROP account of the member and the member's contribution will be reduced to one percent from the normal eight percent. During participation in the DROP plan the member will not receive credit for employer contributions or credit service. A member may participate in the DROP plan only once for any period up to five years. At retirement the funds in the member's DROP account plus interest is available to the member in a lump sum or in installments.

In August 1997, the Trustees of the Firemen's System approved a resolution to provide additional benefits for employees of the Firemen's System in the form of severance pay and a limited retirement package. The severance pay applies to employees who are dismissed for any reason other than for just cause based on the wrongful conduct of the employee. The dismissed employee would be entitled to one months pay for each year or part of year that the employee has been employed by the Firemen's System. The retirement package is for employees who have completed five years of service. Upon completing five years of service, the employee will have five months salary credited to him or her. Thereafter the employee will be credited with a month's salary upon completion of each additional year of service. The employees' accounts will be credited each anniversary date with interest on the account at the same rate as earned by the Firemen's System.

(b) Funding Policy

Firefighters are required to contribute 8% of their compensation to the Firemen's System, as mandated per State statute and adopted by City ordinance. The Airport is required to contribute the remaining amounts necessary to fund the Firemen's System. Members of the Firemen's System are entitled to a lump-sum distribution of the entire amount of their contribution without interest upon service retirement. Members whose employment

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

terminates prior to retirement are entitled to a lump-sum distribution of their contribution, plus interest thereon.

(c) Annual Pension Cost

For June 30, 1998, the Airport's actual annual contribution was \$926, which was equal to the actuarially required contribution. The actuarially required contribution was determined as part of an actuarial valuation performed at September 1, 1997. The following were some of the significant actuarial assumptions used in the valuation of the Firemen's System:

Date of actuarial valuation	September 1, 1997
Actuarial cost method	Frozen initial liability method
Amortization method	30 years from establishment
Remaining amortization period	Various
Asset valuation methods	3 year smoothed market
Inflation rate	3.500%, per year
Investment rate of return	8.125%, compounded annually
Projected salary increases	5.000%, per year to retirement age
Projected post-retirement benefit increases	5.000%

Three Year Trend Information - Firemen's System

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1998	\$ 926	100%	\$ —
1997	1,129	100%	—
1996	1,098	100%	—

Employees' Retirement System of the City of St. Louis

(a) System Description

All nonuniformed employees of the Airport become members of the Employees' System upon employment, with the exception of employees hired after attaining age 60.

The Employees' System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees Retirement System of the City of St. Louis; 1300 Convention Plaza, Suite 217; St. Louis, Missouri 63103-1935.

The Employees' System provides for defined benefit payments for retirement, death or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest to employees covered by the Employees System after the employee has attained five years of creditable service. The Board of Trustees approves all withdrawals, benefits and termination refunds from the Employees System's assets. Normal retirement is at age 65 or if the employee's age and creditable service combined equal or exceed 85. Early retirement is at age 60, with no minimum years of creditable service; age 55, with 20 years of creditable service; or at any age after 30 years of creditable service.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

In June 1990, the Board of Aldermen passed Ordinance 61976 (the Ordinance) which provided for a cash supplement of five hundred dollars multiplied by creditable service for members of the Employees' System meeting certain minimum conditions who applied for retirement within 90 days of the Ordinance's effective date. To be eligible for the cash supplement, the sum of the member's age and years of service had to total 80 or more at the time of application or the member was otherwise eligible for early retirement. The member had the option of receiving the cash supplement in a lump sum or in monthly installments for a designated period of up to 120 months. The aggregate cash supplement for members who elected to retire under the provisions of this Ordinance was \$2,613. Members who elect to retire under the provisions of this Ordinance and later return to work for the City will have their subsequent retirement benefit reduced by the actuarial value of any cash supplemental payment received.

(b) Funding Policy

Employer contribution rates are established annually by the Board of Trustees based on an actuarial study. The Board of Trustees elected to require employer contributions at a rate of 1% of active member payroll effective July 1995. The Board of Trustees then elected to reduce the required employer contribution rate back to the actuarially required rate of zero effective July 1996. The 1% contribution rate was reinstated effective July 1997.

Employees who became members of the Employee's System prior to October 14, 1977, may make voluntary contributions to the Employees' System equal to 3% of the employee's compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act in effect on January 1 of the calendar year. Thereafter, voluntary contributions may be made equal to 6% of compensation. These voluntary contributions vest immediately.

(c) Annual Pension Cost

For June 30, 1998, the Airport's actual annual contribution was \$190, which exceeded the actuarially required contribution of \$0. The annual actuarially required contribution was determined as part of an actuarial valuation performed at October 1, 1997. The following were some of the significant actuarial assumptions used in the valuation of the Employees' System:

Date of actuarial valuation	October 1, 1997
Actuarial cost method	Projected unit credit
Amortization method	Level percent, open
Remaining amortization period	1 year
Asset valuation methods	The book value at beginning of year, plus, 25% of the difference between market value and book for the last four years; less the member savings fund.
Investment rate of return	7.75%
Projected salary increases	4.50 - 8.50%, depending on age
Projected post-retirement benefit increases	5.00% per year, maximum cumulative increase of 25%

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

Three-Year Trend Information - Employees' System

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1997	\$ —	100%	\$ —
1996	—	100%	—
1995	—	100%	—

(12) Commitments and Contingencies

At June 30, 1998, the Airport had outstanding commitments amounting to approximately \$30,914; resulting primarily from contracts for construction projects. In addition, the Airport has \$9,121 in outstanding commitments resulting from service agreements.

In connection with Federal grant programs, the Airport is obligated to administer the related programs and spend the grant monies in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the Airport to refund program monies.

Additionally, certain lawsuits were pending against the City which involved the Airport. In the opinion of Airport officials and legal counsel, these actions are not expected to have a material effect, individually or in the aggregate, on the financial position or results of operations of the Airport.

(13) Risk Management

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Airport participates in the Public Facilities Protection Corporation (PFPC), an internal service fund of the City of St. Louis. The purpose of PFPC is to account for risks in which the City is self insured, primarily workers' compensation, unemployment benefits, certain general liability, and various other claims and legal actions. All self insured claims liabilities and payments are recorded in PFPC. The Airport reimburses PFPC for workers' compensation claims on a cost-reimbursement basis. At June 30, 1998 and 1997, the Airport owed PFPC \$1,409 and \$1,036, respectively, for unreimbursed workers' compensation claims paid and claims liabilities.

The Airport purchases commercial insurance for other risks it considers significant, including general liability, public officials' liability, property damage, employee honesty bond, business auto, and insurance on its fine arts. Settled claims did not exceed commercial coverage in any of the last three years.

(14) Record of Decision

On September 30, 1998, the Airport received a favorable Record of Decision from the Federal Aviation Administration (FAA) for the W-1W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The proposed \$2.6 billion program will provide the building blocks for a highly competitive "world class" aviation system for the 21st century, including:

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Notes to Financial Statements

(Dollars in thousands)

- One additional 9,000 foot parallel runway to add capacity in all weather conditions
- The modernization and renovation of existing terminal facilities
- The addition of up to 25 new passenger gates
- Additional terminal facilities, doubling the Airport's existing space
- Renovation of Lambert's existing runway and taxiway system
- Addition of more than 6,000 parking spaces

The construction for this program will be funded with Airport Development Funds, Passenger Facilities Charges, FAA Improvement Program grants, and Airport Revenue Bonds.

Lawsuits have been filed by the Cities of St. Charles and Bridgeton, but litigation is not expected to delay project implementation. Land acquisition activities are underway, and design packages are being prepared for solicitation. An injunction to stop progress on this project is not anticipated by management.

(15) Year 2000 Issues (UNAUDITED)

The Airport has taken steps to identify and address problems created by its computers, equipment, and systems which may not operate properly when required to use the year 2000 date. Year 2000 implications could have a significant, adverse impact on the operations of the Airport if not resolved timely. In June 1998, the Airport established a working group of employees which meet regularly to identify and address possible year 2000 compliance issues. The Airport has set aside \$200,000 for year 2000 compliance issues and an authorization of an additional \$1,000,000 is pending. The Airport now requires all contracts for new equipment and system purchases to be year 2000 compliant.

The Airport believes significant risk exists from entities with which it has a business relationship. These external relationships, many of which are critical to Airport operations, could cause business disruptions should any problems occur. The Airport has requested certification from the carriers and Airport concessionaires and vendors that addresses their ability to be compliant by January 1, 2000.

The Airport's current schedule contemplates assessment of year 2000 compliance requirements by January 1999, and implementation and testing by July 1999. Although the Airport anticipates meeting its objective for year 2000 compliance, there can be no guarantee that compliance will be achieved. There can also be no guarantee that the Airport's carriers (including TWA) and vendors, or other entities which affect the Airport's operations (such as the FAA), will be year 2000 compliant.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Analysis of Cash and Investment Accounts Required by Bond Ordinances

Year ended June 30, 1998

(Dollars in thousands)

	Unrestricted			Held by Trustee Bond Fund	
	Revenue Fund	Revenue Fund Subaccount	Operation and Maintenance Fund	Debt Service Account	Debt Service Reserve Account
Balance at June 30, 1997	\$ 3,287	1,395	4,556	28,528	38,469
Cash deposited with City Treasurer	104,511	—	—	—	—
Cash receipts	—	—	—	1,144	2,441
Transfer in accordance with ordinance	(94,430)	4,205	53,100	40,393	(3,262)
Vouchers and requisitions paid	(5,796)	(6)	(53,185)	—	—
Bond proceeds	—	—	—	(1,125)	29,907
Payments:					
Interest	—	—	—	(20,196)	(1,188)
Redemption of bonds	—	—	—	(19,850)	—
Payments to the City of 5% of gross receipts	—	(4,282)	—	—	—
Receipts from FAA	—	—	—	—	—
Capital appropriation	—	—	—	—	—
Capital expenditures	—	—	—	—	—
Balance at June 30, 1998	\$ 7,572	1,312	4,471	28,894	66,367

See accompanying independent auditors' report.

Schedule I

Restricted						
Renewal and Replacement Fund	Passenger Facility Charge Fund	Other Restricted Funds				Total
		Development Fund	Appropriated	Unappro- priated	Contingency Fund	
3,500	48,905	8,815	99,676	59	8,713	245,903
-	-	-	-	-	-	104,511
-	43,560	-	3,407	1,449	-	52,001
-	(8,933)	33,622	87,484	(112,179)	-	-
-	-	-	-	-	-	(58,987)
-	-	-	-	164,150	-	192,932
-	-	-	-	-	-	(21,384)
-	-	-	-	-	-	(19,850)
-	-	-	-	-	-	(4,282)
-	-	10,544	-	-	-	10,544
-	(36,913)	(40,500)	53,661	-	-	(23,752)
-	-	-	(55,668)	-	-	(55,668)
3,500	46,619	12,481	188,560	53,479	8,713	421,968

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**Schedule of 1992 Revenue Refunding and Improvement Bonds Payable**

June 30, 1998

(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
1998	5.10 %	\$ 3,405
1999	5.25	3,575
2000	5.40	3,765
2001	5.63	3,970
2002	5.80	4,190
2003	5.90	4,435
2004	6.00	4,695
2005	6.00	4,980
2006	6.00	5,280
2007	6.00	5,595
2008	6.00	5,930
2009	6.13	6,290
2010	6.13	6,670
2011	6.13	7,080
2012	6.13	7,515
2013	6.13	7,975
2014	6.13	8,460
2015	6.13	8,980
		\$ 102,790

See accompanying independent auditors' report.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
Schedule of 1993 Taxable Revenue Refunding Bonds Payable
June 30, 1998
(Dollars in thousands)

Schedule III

Maturity on July 1	Interest Rate	Principal Maturity
1998	5.30 %	\$ 9,690
1999	5.50	10,245
2000	5.70	10,925
2001	5.90	11,555
2002	6.00	10,920
2003	6.10	11,560
2004	6.15	12,245
2005	6.20	12,990
		\$ 90,130

See accompanying independent auditors' report.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Schedule of 1993A Taxable Revenue Bonds Payable

June 30, 1998

(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
1998	5.50 %	\$ 5,040
1999	5.75	5,320
2000	6.00	5,625
2001	6.20	5,965
2002	6.35	6,330
2003	6.40	6,735
2004	6.55	7,165
2005	6.65	7,635
		\$ 49,815

See accompanying independent auditors' report.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**Schedule of 1996 Revenue Refunding Bonds Payable**

June 30, 1998

(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
1998	4.25 %	\$ 2,740
1999	4.55	2,850
2000	4.75	2,985
2001	4.75	3,125
2002	6.00	3,270
2003	6.00	3,465
2004	5.05	3,680
2005	5.15	3,865
2006	5.25	4,065
2007	5.35	4,275
		\$ 34,320

See accompanying independent auditors' report.

Schedule VI

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Schedule of 1997 Taxable Revenue Bonds Payable

June 30, 1998

(Dollars in thousands)

Maturity on July 1	1997A		1997B		Total Principal Maturity
	Interest Rate	Principal Maturity	Interest Rate	Principal Maturity	
2001	4.10 %	\$ 250	4.30 %	\$ 750	\$ 1,000
2002	4.20	500	4.40	1,500	2,000
2003	4.30	625	4.50	2,195	2,820
2004	4.40	715	5.25	2,570	3,285
2005	4.50	755	5.25	2,735	3,490
2006	4.60	995	5.25	3,710	4,705
2007	4.65	1,085	5.25	4,110	5,195
2008	4.70	1,135	6.00	4,300	5,435
2009	4.85	1,185	6.00	4,530	5,715
2010	5.00	1,240	6.00	4,775	6,015
2011	5.00	1,295	6.00	5,035	6,330
2012	5.10	1,360	6.00	5,310	6,670
2013	5.15	1,420	6.00	5,605	7,025
2014	5.25	1,490	6.00	5,910	7,400
2015	5.25	1,560	5.25	6,245	7,805
2016	5.25	1,635	5.25	6,545	8,180
2017	5.25	1,710	5.25	6,865	8,575
2022	5.13	9,395	5.25	37,745	47,140
2027	5.13	12,070	5.25	48,750	60,820
		\$ 40,420		\$ 159,185	\$ 199,605

See accompanying independent auditors' report.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

Schedule of Insurance

June 30, 1998

(Dollars in thousands)

Schedule VII

Insurer	Amount	Expiration Date	Character of Coverage
Great American Insurance Company	\$ 250,000	10/1/98	Liability insurance
General Star Indemnity Insurance Company	7,000	10/1/98	Public official's liability
Factory Mutual	505,538	10/1/00	Comprehensive property damage
Fidelity and Deposit Company of Maryland	100	10/1/98	Employee honesty bond
The Cincinnati Insurance Company	5,000	10/1/98	Business auto and excess
Kemper National Insurance Company	2,560	10/1/00	Insurance on fine arts

See accompanying independent auditors' report.

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Appendix D
Form of Bond Insurance Policy

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Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001



A GE Capital Company

Municipal Bond New Issue Insurance Policy

Issuer:	Policy Number:
	Control Number: 0010001
Bonds:	Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

Form 9000 (10/93)

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company



Municipal Bond New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in black ink, appearing to be "A. L. H.", written over a horizontal line.

President

Effective Date:

Authorized Representative

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

A handwritten signature in black ink, appearing to be "G. J. Brown", written over a horizontal line.

Authorized Officer

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001



A GE Capital Company

Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number: 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in black ink, appearing to be "A. L. H.", written over a horizontal line.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

A handwritten signature in black ink, appearing to be "G. J. H.", written over a horizontal line.

Authorized Officer

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

State Street Bank and Trust Company, N.A., as Fiscal Agent

SPECIMEN

Appendix E
Form of Opinion of Co-Bond Counsel

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Upon delivery of the Series 1998 Bonds in definitive form, Whitman Breed Abbott & Morgan LLP, New York, New York, and Armstrong, Teasdale, Schafly & Davis, St. Louis, Missouri, Co-Bond Counsel, propose to render their final approving opinions in substantially the following form:

[Date of Closing]

The City of St. Louis
St. Louis, Missouri

Ladies and Gentlemen:

We have examined a record of the proceedings relating to the issuance by The City of St. Louis, Missouri (herein called the "City"), of \$_____ aggregate principal amount of Airport Revenue Refunding Bonds, Series 1998, Lambert-St. Louis International Airport (the "Series 1998 Bonds").

The Series 1998 Bonds are issued under and pursuant to the Constitution and statutes of the State of Missouri, including particularly, Chapter 108.140, Revised Statutes of Missouri, as amended, and an ordinance duly adopted by the Board of Aldermen of the City on November 20, 1998 and approved by the Mayor on December 1, 1998 (the "Ordinance"), and under and pursuant to an Amended and Restated Indenture of Trust, dated as of September 10, 1997 (amending and restating the Indenture of Trust, dated as of October 15, 1984), as supplemented by the First Supplemental Indenture of Trust dated as of July 1, 1987, the Second Supplemental Indenture of Trust, dated as of November 15, 1992, the Third Supplemental Indenture of Trust dated as of August 1, 1993, the Fourth Supplemental Indenture of Trust dated as of November 1, 1993, the Fifth Supplemental Indenture of Trust, dated as of April 1, 1996, the Sixth Supplemental Indenture of Trust dated as of August 1, 1997, and the Seventh Supplemental Indenture of Trust (the "Seventh Supplemental Indenture"), dated as of December 1, 1998 (collectively, the "Indenture"), between the City and UMB Bank of St. Louis, N.A. (as successor to State Street Bank and Trust Company of Missouri, N.A., as Successor to Mercantile Bank of St. Louis National Association, formerly Mercantile Trust Company National Association), as Trustee.

The Series 1998 Bonds, will mature on the dates and in the principal amounts, and bear interest, payable on January 1 and July 1 of each year (commencing July 1, 1999), at the respective rates per annum, shown below:

<u>Maturity</u> <u>(July 1)</u>	<u>Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>(July 1)</u>	<u>Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>
	\$	%		\$	%

The Series 1998 Bonds are dated and shall bear interest from December 1, 1998, except as otherwise provided in the Indenture. The Series 1998 Bonds are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth in the Indenture. The Series 1998 Bonds are in fully registered form in the denomination of \$5,000 or any integral multiple thereof. The Series 1998 Bonds are issued for the purpose of providing funds to (i) redeem, retire, refund and defease the \$_____ principal amount (the "Refunded 1992 Bonds") of the \$99,385,000 outstanding principal amount of Airport Revenue Refunding and Improvement Bonds, Series 1992, Lambert-St. Louis International Airport (the "Series 1992 Bonds"), and (ii) pay the costs of issuance of the Series 1998 Bonds.

The City reserves the right to issue additional bonds upon the terms and conditions and for the purposes stated in the Indenture. Under the provisions of the Indenture, all such bonds will rank equally as to security and payment with the Series 1998 Bonds and the City's Outstanding Bonds under the Indenture.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various limitations, conditions and other requirements which must be met at and subsequent to the issuance and delivery of the Series 1998 Bonds in order that interest on the Series 1998 Bonds will be and remain not includable in gross income for federal income tax purposes. Under Missouri law, these same limitations, conditions and other requirements must be satisfied in order for interest on the Series 1998 Bonds to be and remain not includable in Missouri taxable income for purposes of the income tax imposed by the State of Missouri. Included among these continuing requirements are certain restrictions and prohibitions on the use of Series 1998 Bond proceeds and the ownership and use of the facilities refinanced by the Series 1998 Bonds, restrictions on the investment of Series 1998 Bond proceeds and other amounts, and the rebate to the United States of certain earnings in respect of such investments. Failure to comply with the continuing requirements of the Code may cause interest on the Series 1998 Bonds to be includable both in gross income for purposes of federal income tax and in Missouri taxable income for purposes of the State of Missouri income tax, retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs. The City has covenanted to comply with certain procedures, and it has made certain representations and certifications, designed to assure satisfaction of the requirements of the Code in respect of the Series 1998 Bonds. Our tax opinion below assumes and is dependent upon compliance with such covenants and the accuracy, in all material respects, of such representations and certificates, which we will not independently verify. These covenants, representations and certifications may be modified if the City obtains an opinion of nationally recognized bond counsel that any action thereunder is no longer required or that some further action is required. Co-Bond Counsel express no opinion with respect to the exclusion from (i) gross income for federal income tax purposes and (ii) Missouri taxable income for purposes of the State of Missouri income tax of interest on the Series 1998 Bonds in the event the opinion referred to in the preceding sentence is obtained by the City from nationally recognized bond counsel other than Whitman Breed Abbott & Morgan LLP.

For purpose of this opinion, we have assumed that the Indenture (other than the Seventh Supplemental Indenture) has been duly and lawfully executed and delivered by the City and is in full force and effect.

Based upon and subject to the foregoing, we are of the opinion that:

1. The City has the right and power under the Constitution and statutes of the State of Missouri and the Charter of the City, all as amended, to adopt the Ordinance, and execute, deliver and perform its obligations under the Indenture.
2. The Ordinance has been duly and lawfully adopted by the City, is in full force and effect and is valid and binding upon the City.
3. The Indenture has been duly and lawfully executed and delivered by the City, is in full force and effect, is valid and binding upon the City and is enforceable in accordance with its terms, and no other authorization for the Indenture is required.
4. The Indenture creates the valid pledge which it purports to create of the moneys, securities and funds held or set aside under the Indenture and of all Revenues (as defined in the Indenture), subject to the application thereof for the purposes and on the conditions permitted by the Indenture and to the rights of the holders of the Outstanding Obligations (as defined in the Indenture) to the Revenues of the Airport.
5. The Series 1998 Bonds are legal, valid and binding limited obligations of the City, as provided in the Indenture, are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefits of the Indenture and such Series 1998 Bonds have been duly and validly authorized and issued in accordance with the Missouri Constitution, the laws of the State of Missouri and the Charter of the City, all as amended, and in accordance with the Indenture. The Series 1998 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or provision and the taxing power of the City is not pledged to the payment thereof, either as principal, premium or interest.
6. Based on existing statutes, regulations, rulings and court decisions and assuming compliance by the City with certain covenants and the accuracy of certain representations referenced above, interest on the Series 1998 Bonds is not includable in gross income for federal income tax purposes and is not includable in Missouri taxable income for purposes of the income tax imposed by the State of Missouri. In addition, assuming compliance with such covenants and the accuracy of such representations, interest on the Series 1998 Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax on individuals and corporations. However, such interest received by corporations (other than S corporations, Regulated Investment Companies, Real Estate Investment Trusts, Real Estate Mortgage Investment Conduits and Financial Asset Securitization Investment Trusts) will be included in the calculation of "adjusted current earnings," a portion of which is an adjustment to such corporations' alternative minimum

taxable income for purposes of calculating the federal alternative minimum tax imposed on corporations (but not individuals).

We have examined one of the Series 1998 Bonds, and, in our opinion, the form of said Bond and its execution are regular and proper.

The opinions set forth above are qualified to the extent that the enforceability of the Indenture and the Series 1998 Bonds may be limited by any applicable bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws or equitable principles affecting creditors' rights generally or as to the availability of any particular remedy.

Respectfully yours,

Appendix F

Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

between

THE CITY OF ST. LOUIS, MISSOURI

and

**UMB BANK OF ST. LOUIS, N.A.
St. Louis, Missouri,
as Dissemination Agent**

Dated as of December 1, 1998

\$69,260,000

**The City of St. Louis, Missouri
Airport Revenue Refunding Bonds, Series 1998
Lambert-St. Louis International Airport**

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered as of this ____ day of December, 1998 by The City of St. Louis, Missouri (the "City") and UMB Bank of St. Louis, N.A., as Dissemination Agent (the "Dissemination Agent"), in connection with the issuance of \$69,260,000 Airport Revenue Refunding Bonds, Series 1998, Lambert-St. Louis International Airport (the "Series 1998 Bonds") of The City of St. Louis, Missouri. That certain Indenture of Trust dated as of October 15, 1984 (the "Original Indenture") between the City and UMB Bank of St. Louis, N.A. (as successor to State Street Bank & Trust Company of Missouri, N.A., as successor to Mercantile Bank of St. Louis National Association, formerly known as Mercantile Trust Company National Association, St. Louis, Missouri), as Trustee (the "Trustee"), was amended and supplemented by the First Supplemental Indenture of Trust dated as of July 1, 1987 between the City and the Trustee (the "First Supplemental Indenture"), the Second Supplemental Indenture of Trust dated as of November 15, 1992, between the City and the Trustee (the "Second Supplemental Indenture"), the Third Supplemental Indenture of Trust dated as of August 1, 1993 between the City and the Trustee (the "Third Supplemental Indenture"), the Fourth Supplemental Indenture of Trust dated as of November 1, 1993 between the City and the Trustee (the "Fourth Supplemental Indenture"), the Fifth Supplemental Indenture of Trust dated as of April 1, 1996 between the City and the Trustee (the "Fifth Supplemental Indenture") and the Sixth Supplemental Indenture of Trust dated as of August 1, 1997 between the City and the Trustee (the "Sixth Supplemental Indenture") (collectively, the "Prior Supplemental Indentures"), and was further amended and restated by the Amended and Restated Indenture of Trust, dated as of September 10, 1997 (together with the Prior Supplemental Indentures, the "Restated Indenture"), which superseded the Original Indenture. The Series 1998 Bonds are being issued pursuant to the Restated Indenture as further supplemented by the Seventh Supplemental Indenture of Trust, dated as of December 1, 1998 (collectively, the "Indenture"). The proceeds of the Series 1998 Bonds are being used to (i) redeem, retire and refund a portion of the Series 1992 Bonds currently outstanding, and (ii) pay the costs of issuance of the Series 1998 Bonds. Pursuant to Section 507 of the Seventh Supplemental Indenture of Trust, the City and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the Series 1998 Bonds and in order to assist the Underwriters in complying with the Rule (all as defined below). The City and the Dissemination Agent acknowledge that the Bond Insurer (as defined in the Seventh Supplemental Indenture of Trust) has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Holder or Beneficial Owner of the Series 1998 Bonds, with respect to the Rule. The City hereby determines that the City is an Obligated Person (as defined below). The City has also determined that Trans World Airlines, Inc. ("TWA") currently is the only other Obligated Person.

The City acknowledges that TWA is subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith, TWA files

reports and other information with the United States Securities and Exchange Commission (the "SEC Reports"). The City makes no representation with respect to, and assumes no responsibility for the accuracy or completeness of, any SEC Report filed by, or any information provided by, TWA or by any future Obligated Person. Unless no longer required by the Rule, the City shall use its reasonable efforts to cause each Obligated Person other than the City, if any (to the extent that such Obligated Person is not otherwise required to file SEC Reports), to provide to the City annual information substantially equivalent to that contained in the SEC Reports. In the event that any such Obligated Person fails to provide to the City annual information substantially equivalent to that contained in the SEC Reports, the City shall not be in default under this Disclosure Agreement. The City shall use its reasonable efforts to include in any future amendments to the use agreements a provision requiring airlines to provide information to the City to enable the City, if necessary, to comply with the Rule. In the event that the City does not obtain such provision in any future amendments to the use agreement, the City shall not be in default under this Disclosure Agreement.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 1998 Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the Comptroller of the City or his or her designee, or such other person as the City shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean UMB Bank of St. Louis, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission as of the date of execution and delivery of this Disclosure Agreement are set forth in Exhibit A hereto.

"Obligated Person" means the City [and each airline and any other entity at any time using the Airport (i) that is obligated under a use agreement, lease or other agreement or

agreements having a term of more than one year to pay a portion of the debt service on the Bonds; and (ii) pursuant to such agreement or agreements has paid amounts equal to at least 20% of the Revenues of the Airport for each of the prior two Fiscal Years of the Airport.]

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Missouri.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

"Underwriter" shall mean any of the original underwriters of the Series 1998 Bonds required to comply with the Rule in connection with offering of the Series 1998 Bonds.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of the City's fiscal year (which currently ends on June 30 of each year), commencing with the report for the 1999 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The City shall provide a written certificate with any Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a) of this Disclosure Agreement.

(b) Not later than fifteen (15) Business Days prior to the date specified in Subsection (a) for providing the Annual Report to the Repositories, the City either shall provide the Annual Report to the Dissemination Agent with instructions to file the Annual Report as required in Subsection (a) and the Trustee (if the Trustee is not the Dissemination Agent) or provide a written certification to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent) that the City has provided the Annual Report as required by Subsection (a). If by such date the Dissemination Agent has not received the Annual Report, the Dissemination Agent shall contact the City and request that the City comply with the first sentence of this subsection.

(c) If the Dissemination Agent has not received an Annual Report by the date required in Subsection (a) with instructions to provide the Annual Report or written certification that the City has provided the Annual Report, the Dissemination Agent shall send a notice to the Underwriters, the Trustee and (i) each Repository or (ii) the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit B hereto.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) provide notice to the City (unless the City has provided the Dissemination Agent with its written certification of providing such Annual Report) and the Trustee (if the Trustee is not the Dissemination Agent) certifying either (A) that the Annual Report has been provided to the Repositories by the Dissemination Agent pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided; or (B) that the City has certified to the Dissemination Agent that the City has provided the Annual Report to the Repositories.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Airport for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If the Airport's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) of this Disclosure Agreement, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Certain statistical and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in Exhibit C hereto.

3. Certain statistical and operating data of the Airport updated for the prior Fiscal Year in substantially the scope and form contained in Exhibit D hereto.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of issues with respect to which the City is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories, the Municipal Securities Rulemaking Board or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal

Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section, the City shall give, or cause to be given, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Series 1998 Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of Bondholders;
4. bond calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions or events affecting the tax-exempt status of the Series 1998 Bonds;
8. unscheduled draws on debt service reserves reflecting financial difficulties;
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform; and/or
11. release, substitution or sale of property securing repayment of the Series 1998 Bonds.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Subsection (f). For the purpose of this Disclosure Agreement, "actual knowledge" of such listed events shall mean knowledge by an officer of the Dissemination Agent with responsibility for matters related to the Indenture or this Disclosure Agreement.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the

City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Subsection (f).

(e) If in response to a request under Subsection (b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by written notice from the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with (i) each Repository or (ii) the Municipal Securities Rulemaking Board and each State Repository, with a copy to the City, the Trustee and the Underwriters. Notwithstanding the foregoing, notice of Listed Events described in Subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Bondholders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 1998 Bonds. This Disclosure Agreement shall also terminate upon (i) the Rule being withdrawn, retroactively repealed, or having been found by a court of competent jurisdiction to be invalid in a non-appealable action; and/or (ii) receipt by the Dissemination Agent, the Trustee (if the Trustee is not the Dissemination Agent) and the City of an opinion of counsel of nationally recognized expertise in matters relating to securities laws affecting municipal securities to the effect that the Rule is no longer applicable to the Series 1998 Bonds. If the City's obligations under the Indenture are assumed in full by another entity, such entity shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City, and the City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Series 1998 Bonds, the City shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(a) of this Disclosure Agreement.

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City (including without limitation the Annual Report) pursuant to this Disclosure Agreement. The Dissemination Agent may resign at any time by providing 30 days written notice to the City. The Dissemination Agent shall also have no duty or obligation to determine the materiality of the listed events and shall not be deemed to be acting in any fiduciary capacity for the City, any Beneficial Owner or any

other party. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the approval of the Dissemination Agent to any such amendment shall not be unreasonably withheld), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) of this Disclosure Agreement, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Series 1998 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized Bond Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 1998 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Bondholders of the Series 1998 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized Bond Counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Series 1998 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a) of this Disclosure Agreement, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of the occurrence of a Listed Event,

in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of the occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent or the Trustee may (and, at the request of any Underwriter or the Bondholders or Beneficial Owner of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed to be an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of the Dissemination Agent. Article X (particularly Sections 1001 and 1002) of the Original Indenture is hereby made applicable to this Disclosure Agreement and the Dissemination Agent as if such sections were (solely for this purpose) contained in this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and, to the extent permitted by applicable law, the City hereby indemnifies and saves the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no responsibility for the City's failure to report a Listed Event to the Dissemination Agent. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 1998 Bonds. No provisions of this Disclosure Agreement shall be interpreted to limit, prohibit or affect any right of the Trustee to provide notice to the Holders of the Series 1998 Bonds or any other person pursuant to the terms of the Indenture.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement shall be given in the manner set forth in the Indenture to the addresses set forth for the City and the Trustee in the Indenture and to the Dissemination Agent addressed as follows: UMB Bank of St. Louis, N.A., Attention: Corporate Trust Department, 6 South Broadway, St. Louis, Missouri 63102, with a copy to UMB Bank, N.A., Attention: Corporate Trust Department, 928 Grand Boulevard, 13th Floor, Kansas City, Missouri 64106. Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Underwriters, and Bondholders and

Beneficial Owners from time to time of the Series 1998 Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State.

Section 16. Severability. If any provision in this Disclosure Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 17. Captions. The captions or headings in this Disclosure Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or section of this Disclosure Agreement.

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This Disclosure Agreement is dated as of the day and year first above written.

THE CITY OF ST. LOUIS, MISSOURI

(SEAL)

ATTEST:

By _____
Comptroller

Register

APPROVED AS TO FORM:

By: _____
City Counselor

UMB BANK OF ST. LOUIS, N.A., as
Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of **December 1, 1998**:

Bloomberg Municipal Repositories

100 Business Park Drive
Skillman, New Jersey 08558

P.O. Box 840

Princeton, NJ 08542-0840

Phone: (609) 279-3200

Fax: (609) 279-5962

E-Mail: Munis@Bloomberg.com

Kenny Information Systems, Inc.

Attn: Kenny Repository Service

65 Broadway, 16th Floor

New York, NY 10006

Phone: (212) 770-4595

Fax: (212) 797-7994

Thomson NRMSIR

Attn: Municipal Disclosure

395 Hudson Street, 3rd Floor

New York, NY 10014

Phone: (212) 807-5001

(800) 689-8466

Fax: (212) 989-2078

E-Mail: Disclosure@Muller.com

DPC Data, Inc.

One Executive Drive

Fort Lee, NJ 07024

Phone: (201) 346-0701

Fax: (201) 947-0107

E-Mail: nrmsir@dpcdata.com

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: The City of St. Louis, Missouri (the "City")

Name of Bond Issue: The City of St. Louis, Missouri Airport Revenue Refunding Bonds, Series 1998
 Lambert-St. Louis International Airport (the "Series 1998 Bonds")

Name of Obligor: The City of St. Louis, Missouri

Date of Issuance: _____, 1998

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement dated as of December 1, 1998 between the City and UMB Bank of St. Louis, N.A., as Dissemination Agent. The City has informed the Dissemination Agent that the City anticipates that the Annual Report will be filed by _____.

Dated: _____

UMB BANK OF ST. LOUIS, N.A., as Dissemination
Agent

By: _____
Authorized Officer

cc: Comptroller, The City of St. Louis, Missouri
Trustee
Underwriters

EXHIBIT C

INFORMATION REGARDING THE CITY OF ST. LOUIS

EXHIBIT D

STATISTICAL AND OPERATING DATA OF THE AIRPORT

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